

Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.

RICE

PLEASE RETURN TO USDA
NATIONAL AGRICULTURAL LIBRARY
LAW BRANCH, LEGISLATIVE REPORTING
Rm. 117-E, Admin Bldg.
Wash. D. C. Ext. 4654

HEARINGS

BEFORE THE
SUBCOMMITTEE ON OILSEEDS AND RICE
OF THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

Title III, H.R. 7097

MAY 11, 12, AND 13, 1965

Serial I

Printed for the use of the Committee on Agriculture



U.S. GOVERNMENT PRINTING OFFICE

COMMITTEE ON AGRICULTURE

HAROLD D. COOLEY, North Carolina, *Chairman*

W. R. POAGE, Texas, *Vice Chairman*

E. C. GATHINGS, Arkansas
JOHN L. McMILLAN, South Carolina
THOMAS G. ABERNETHY, Mississippi
WATKINS M. ABBITT, Virginia
PAUL C. JONES, Missouri
HARLAN HAGEN, California
FRANK A. STUBBLEFIELD, Kentucky
GRAHAM PURCELL, Texas
JAMES H. MORRISON, Louisiana
ALEC G. OLSON, Minnesota
SPARK M. MATSUNAGA, Hawaii
MASTON O'NEAL, Georgia
THOMAS S. FOLEY, Washington
JOSEPH Y. RESNICK, New York
LYNN E. STALBAUM, Wisconsin
ELIGIO DE LA GARZA, Texas
JOSEPH P. VIGORITO, Pennsylvania
JOHN C. MACKIE, Michigan
ROLLAND REDLIN, North Dakota
BERT BANDSTRA, Iowa
STANLEY L. GREIGG, Iowa
CLAIR A. CALLAN, Nebraska

PAUL B. DAGUE, Pennsylvania
PAGE BELCHER, Oklahoma
CHARLES M. TEAGUE, California
ALBERT H. QUIE, Minnesota
MRS. CATHERINE MAY, Washington
DELBERT L. LATTA, Ohio
RALPH HARVEY, Indiana
PAUL FINDLEY, Illinois
ROBERT DOLE, Kansas
LAURENCE J. BURTON, Utah
PRENTISS WALKER, Mississippi

RESIDENT COMMISSIONER

SANTIAGO POLANCO-ABREU, Puerto Rico

Mrs. CHRISTINE S. GALLAGHER, *Clerk*

HYDE H. MURRAY, *Assistant Clerk*

JOHN J. HEIMBURGER, *General Counsel*

FRANCIS M. LEMAY, *Staff Consultant*

SUBCOMMITTEE ON OILSEEDS AND RICE

PAUL C. JONES, Missouri, *Chairman*

E. C. GATHINGS, Arkansas
WATKINS M. ABBITT, Virginia
HARLAN HAGEN, California
MASTON O'NEAL, Georgia
LYNN E. STALBAUM, Wisconsin
BERT BANDSTRA, Iowa

PAUL FINDLEY, Illinois
PAGE BELCHER, Oklahoma
ALBERT H. QUIE, Minnesota
PRENTISS WALKER, Mississippi

CONTENTS

	Page
Title III—Rice (H.R. 7097)-----	1
Statement of—	
Alderson, H. M., secretary-treasurer, Producers Rice Mill, Inc., Stuttgart, Ark-----	117
Alioto, Joseph L., president, Rice Growers Association of California, San Francisco-----	75, 81
Baquero, Jenaro, secretary of commerce, Commonwealth of Puerto Rico-----	169
Bassham, A. E., Wynne, Ark-----	154
Bender, Richard J., vice president and director of purchasing, An- heuser-Busch, Inc-----	71
Blair, George B., general manager, American Rice Growers Cooper- ative Association, Lake Charles, La-----	53
Bowman, Morris, vice president, Arkansas Farm Bureau; Gerald Geiger, California Farm Bureau, and H. G. Hardee, Jr., Louisiana Farm Bureau, on behalf of the American Farm Bureau Federation-----	97
Brooks, Hon. Jack, a Representative in Congress from the State of Texas-----	189
Broussard, Joe, II, president, the Rice Millers' Association and, also, vice president, Beaumont Rice Mills, Beaumont, Tex-----	190
Burns, Hon. John A., Governor of the State of Hawaii-----	165
Cardiff, W. R., Katy, Tex-----	70
Carter, L. C., executive vice president and general manager, Arkansas Rice Growers Cooperative Association-----	130, 141
Chalkley, H. G., Lake Charles, La-----	69
Coors, William K., president, Adolph Coors Co., Golden, Colo-----	111
Cowan, Ralph L., Southwest Louisiana-----	93
Cranek, Lester, Garwood, Tex-----	172
Diebold, Lloyd, Hickory Ridge, Ark-----	142
Dockery, Joe Rice, Mississippi Rice Growers Association-----	147
Dore, Gordon E., vice president, the Supreme Rice Mill, Inc., Crowley, La-----	202
Dougherty, Earl, Stuttgart, Ark-----	124
Fowler, Lehman C., American Farm Bureau Federation, Brinkley, Ark-----	148
Gaines, J. P., executive vice president, the Rice Millers' Association, Washington, D.C-----	204
Garrich, Carl, Carlisle, Ark-----	143
Gipson, J. A., Agricultural Council of Arkansas, Dermott, Ark-----	150
Goff, Robert B., vice president of River Brand Rice Mills, Inc., and director, Rice Council for Market Development-----	192, 196
Gonzalez-Suarez, Oscar, testifying for Puerto Rico Rice Consumers of New York City-----	156
Graham, Harry L., legislative representative, the National Grange, Washington, D.C-----	30
Harris, Glen R., director, Rice Growers Association of California, Richvale, Calif-----	86
Harris, Hon. Oren, a Representative in Congress from the State of Arkansas-----	144
Harrison, Vernon, Matagordo County Rice Farmers Cooperative, Bay City, Tex-----	176
Harvell, James B., Angleton, Tex-----	42
Henderson, Tom, El Campo, Tex-----	41

Statement of—Continued

Hester, Clinton M., Washington counsel, United States Brewers Association-----	Page 111
Hoffpauir, George E., Morse, Acadia Parish, La-----	95
Hogan, James W., president, Ralston Purina, Checkerboard Square, Mo-----	185
Hogue, E. E., Weiner, Ark-----	156
Holland, Robert B., Jr., president, Comet Rice Mills, Inc-----	199
Hula, Melvin, Hazen, Ark-----	143
Hurley, John F., executive vice president, Kellogg Co., Battle Creek, Mich-----	177
Jaenke, E. A., Associate Administrator, Agricultural Stabilization and Conservation Service, U.S. Department of Agriculture-----	6
Jensen, Erik F., Stuttgart, Ark-----	142
Jessup, Stewart, Almyra, Ark-----	143
Johnson, Hon. Harold T., a Representative in Congress from the State of California-----	217
Johnson, Lewis J., president, Arkansas Farmers Union, Little Rock, Ark-----	39
Johnson, Reuben, National Farmers Union-----	39
Jones, Bill E., Fisher, Ark-----	138
LaHaye, Glenn, Ville Platte, La-----	129
Lauppe, Lorris, director, Rice Growers Association of California-----	89
Leahy, M. E., executive vice president, Farmers Rice Cooperative, San Francisco, Calif-----	45
Leggett, Hon. Robert L., a Representative in Congress from the State of California-----	163
Long, Hon. Speedy O., a Representative in Congress from the State of Louisiana-----	217
McBeene, Guy, Wynne, Ark-----	154
McKinley, William L., secretary-general counsel, Gerber Products Co., Freemont, Mich., on behalf of the National Cannery Association-----	35
Martin, Melvin C., Alvin, Tex-----	43
Matsunaga, Hon. Spark M., a Representative in Congress from the State of Hawaii-----	160
Mauritz, Marcus, vice president, Rice Council, Ganado, Tex-----	67
Meek, Donald, Victoria, Tex-----	42
Mink, Hon. Patsy, a Representative in Congress from the State of Hawaii-----	158
Nelson, Albert, Jr., Mont Belvieu, Tex-----	68
Penagericano, Juan, past director, Economic Stabilization, Puerto Rico-----	90
Polanco-Abreu, Hon. Santiago, Resident Commissioner of Puerto Rico-----	167-168
Prewitt, T. A., Jr., McGehee, Ark-----	145
Prewitt, T. A., Sr., Tillar, Ark-----	146
Richter, Adam, director, Rice Growers Association of California-----	88
Roberts, W. D., Jr., Weiner, Ark-----	156
Rowe, James, director of purchasing, Joseph Schlitz Brewing Co., Milwaukee, Wis-----	114
Saltzman, Manson, Kaplan, La-----	126
Shaver, W. W., Jr., Wynne, Ark-----	151
Simpson, John H., Almyra, Ark-----	123
Sisk, Hon. B. F., a Representative in Congress from the State of California-----	162
Sitzer, Leonard, Weiner, Ark-----	142
Skarna, Joe, Des Arc, Ark-----	144
Smith, Robert H., Walnut Ridge, Ark-----	135
Strnadel, R. J., El Campo, Tex-----	42
Thomas, Milton, Beedeville, Ark-----	41
Thompson, Hon. Clark W., a Representative in Congress from the State of Texas-----	52
Thompson, Hon. T. Ashton, a Representative in Congress from the State of Louisiana-----	125
Urfer, William, Wynne, Ark-----	154
Winterman, David, Eagle Lake, Tex-----	175
Wittler, Gene, Lake Charles, La-----	127

Correspondence submitted to the subcommittee:	Page
Alfaro, Juan Diaz, Toa Alta, telegram dated April 27, 1965-----	172
California Farm Research and Legislative Committee, Santa Clara, Calif., letter dated May 21, 1965-----	230
County of Colusa Chamber of Commerce, Colusa, Calif., letter of N. L. Good, secretary-manager-----	229
Fisher, R. A., Wynne, Cross County, Ark., letter-----	187
Fong, Hiram L., U.S. Senate, letter dated May 11, 1965-----	215
General Foods Corp., White Plains, N.Y., letter dated May 11, 1965--	219
Hernandez, Obdulio Matias, Santurce, telegram dated April 23, 1965--	172
Holleman, Harlan H. "Bo," Wynne, Ark., letter dated May 11, 1965--	188
Hoosier Brokerage Co., Indianapolis, Ind., letter of Marsh H. Black- burn, dated May 5, 1965-----	214
Inouye, Daniel K., U.S. Senate, letter dated April 8, 1965-----	216
Leslie, Mrs. E. A., Sr., Beaumont, Tex., letter dated May 15, 1965---	231
Maldonado, Felipe, Morovis, telegram dated May 1, 1965-----	172
Mills, Wilbur D., Congress of the United States, House of Representa- tives, letter dated May 21, 1965-----	214
Morales, Jesus, Naranjito, telegram dated April 22, 1965-----	172
N. F. Davis Drier & Elevator, Inc., Firebaugh, Calif., letter dated May 11, 1965-----	219
Polanco-Abreu, Santiago, letter to Hon. Paul C. Jones, dated May 7, 1965-----	171
Ponce Chamber of Commerce, Ponce, P.R., letter dated April 27, 1965--	171
Resolution adopted by the Senate and the House of Representatives of the State of Hawaii, general session of 1965-----	218
Rios, Carmelo, Loa Baja, telegram dated April 27, 1965-----	172
Rodriguez, Gaspar, Naranjito, telegram dated April 22, 1965-----	171
Schaeffer, A. A., Houston, Tex., letter dated May 19, 1965-----	231
Sucrs, Ramon Ramos, Corozal, telegram dated April 22, 1965-----	171
Taylor, Thomas, Sealy, Tex., letter dated May 22, 1965-----	231
The National Rice Users Conference, Washington, D.C., letter and statement, dated May 12, 1965-----	219, 225
Translation of petitions from Puerto Rico-----	169
Viera, Gumersindo, Caguas, telegram dated April 28, 1965-----	172
Additional information submitted to the subcommittee:	
California rice growers will be the pawn in the administration's farm program-----	227
Frequency distribution of number of farms and acreage allotted to such farms in 1963, by States and specified acreage groups (table)-----	24-25
Per capita annual rice consumption in Puerto Rico-----	26
Proposed rice plan—J. Broussard II raps program in panel meet-----	232
Resolution of Rice Millers' Association-----	191

RICE

TUESDAY, MAY 11, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OILSEEDS AND RICE OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 1310, Longworth House Office Building, Hon. Paul C. Jones, of Missouri (chairman of the subcommittee), presiding.

Present: Representatives Jones, Gathings, Hagen of California, O'Neal, Stalbaum, Bandstra, Polanco-Abreu, Findley, Belcher, and Walker.

Also present: Representatives Morrison, Dague, Mrs. May, and Latta.

Betty Prezioso, staff; Hyde H. Murray, assistant clerk; John J. Heimburger, counsel; and Robert C. Bruce, assistant counsel.

(Following is title III of the omnibus farm bill, H.R. 7097 introduced by Mr. Cooley on April 5, 1965:)

TITLE III—RICE

SEC. 301. The Agricultural Adjustment Act of 1938, as amended, is amended by striking out sections 380a through 380p and substituting the following:

"SEC. 380a. The movement of rice from producer to consumer is preponderantly in interstate and foreign commerce, and the small quantity of rice which does not move in interstate or foreign commerce affects such commerce. Unreasonably low prices of rice to producers impair their purchasing power for nonagricultural products and place them in a position of serious disparity with other industrial groups. The conditions affecting the production of rice are such that without Federal assistance, producers cannot effectively prevent disastrously low prices for rice. It is necessary in order to assist rice producers in obtaining fair prices, to regulate the price of rice in the manner provided in this subtitle.

"RICE MARKETING ALLOCATION

"SEC. 380b. If marketing quotas are in effect for rice for the 1966 or 1967 crop, a rice marketing allocation program for the marketing year for such crop shall be in effect as provided in this subtitle. Whenever a rice marketing allocation program is in effect for any marketing year, the Secretary shall determine (1) the rice marketing allocation for such year which shall be the amount of rice which in determining the national acreage allotment for such year he estimated would be used for domestic consumption except for seed, and (2) the national allocation percentage which shall be the percentage which the national marketing allocation is of the amount of rice determined by multiplying the national acreage allotment by the projected national yield. Each farm shall receive a rice marketing allocation for such marketing year equal to the number of hundredweights obtained by multiplying the number of acres in the farm acreage allotment for rice by the projected farm yield of rice, and multiplying the resulting number of hundredweights by the allocation percentages established by the Secretary within the ranges prescribed in the schedule below: *Provided*, That in any State or administrative area in which farm rice acreage allotments are determined on the

basis of past production of rice by the producers on the farm, each producer shall receive a rice marketing allocation determined by multiplying the producer's rice acreage allotment for such State or area by his projected yield of rice, as determined by the Secretary, and by multiplying the result of such allocation percentages.

Estimated production on allotted acres
(allotment multiplied by projected yield):

Allocation percentage

First 500 hundredweights and less.	Not less than national allocation percentage or more than 55 per centum.
501 hundredweights to 1,500 hundredweights, inclusive.	Not less than national allocation percentage or more than 45 per centum.
More than 1,500 hundredweights.	National allocation percentage.

The additional rice marketing certificates issued to producers as a result of using allocation percentages in excess of the national allocation percentage shall be financed by the Commodity Credit Corporation. The acreage allotment referred to in this section shall be the acreage allotment established under section 353(b) before any of such allotment is voluntarily surrendered or such allotment is increased by any reapportioned allotment as provided in section 353(e) of this Act.

"MARKETING CERTIFICATES

"SEC. 380c. (a) The Secretary shall provide for the issuance of rice marketing certificates for each marketing year for which a rice marketing allocation program is in effect for the purpose of enabling producers on any farm with respect to which certificates are issued to receive, in addition to the other proceeds from the sale of rice, an amount equal to the value of such certificates. The rice marketing certificates issued with respect to any farm for any marketing year shall be in the amount of the farm rice marketing allocation for such year, but not to exceed the actual acreage of rice planted on the farm for harvest in the calendar year in which the marketing year begins multiplied by the projected yield of rice for the farm as determined by the Secretary. The rice marketing certificates issued to any producer for any marketing year in any State or administrative area where producer allotments are established shall be in the amount of the producer's rice marketing allocation for such year, but not to exceed the actual acreage of rice planted by the producer in such State or area for harvest in the calendar year in which the marketing year begins multiplied by the producer's projected yield as determined by the Secretary. The Secretary shall provide for the sharing of rice marketing certificates among producers on the farm on a fair and equitable basis.

"(b) No producer shall be eligible to receive rice marketing certificates with respect to any farm for any marketing year in which a marketing quota penalty is assessed for any commodity on such farm.

"(c) Whenever a rice marketing allocation program is in effect for any marketing year, the Secretary shall determine and proclaim for such marketing year the face value per hundredweight of marketing certificates which shall be equal to the amount by which the level of price support for rice accompanied by certificates (certificate rice) exceeds the level of price support for rice not accompanied by certificates (noncertificate rice).

"(d) Marketing certificates and transfers thereof shall be represented by such documents, marketing cards, records, accounts, certifications, or other statements or forms as the Secretary may prescribe.

"(e) Notwithstanding any other provision of this Act, the amount of certificates issued with respect to any farm may be adjusted by the Secretary for failure of a producer to comply fully with the terms and conditions of the program formulated under this subtitle.

"MARKETING RESTRICTIONS

"SEC. 380d. (a) Marketing certificates shall be transferable only in accordance with regulations prescribed by the Secretary. Any unused certificates legally held by any person shall be purchased by Commodity Credit Corporation if tendered to the Corporation for purchase in accordance with regulations prescribed by the Secretary.

"(b) During any marketing year for which a rice marketing allocation program is in effect, all persons engaged in the processing of rice in the United States shall, prior to marketing any processed rice or removing processed rice for sale or consumption, acquire marketing certificates equivalent to the num-

ber of hundredweights of rice from which such processed rice was obtained, as determined by the Secretary of Agriculture. The requirements of this subsection shall not be applicable to rice which is both produced and processed in Puerto Rico or in any State for which no acreage allotment is established under section 353 of this Act. The Secretary may exempt from the requirements of this subsection (i) rice processed for donation, (ii) rice processed for use on the farm where grown, (iii) rice produced by a State or agency thereof and processed for use by the State or agency thereof, and (iv) rice processed for uses determined by the Secretary to be noncommercial. Marketing certificates shall be valid to cover only sales or removals for sale or consumption made during the marketing year with respect to which they are issued, and after being once used to cover a sale or removal for sale or consumption shall be void and shall be disposed of in accordance with regulations prescribed by the Secretary. Notwithstanding the foregoing provisions hereof, the Secretary may require marketing certificates issued for any marketing year to be acquired to cover sales or removals made on or after the date during the calendar year in which rice harvested in such calendar year begins to be marketed as determined by the Secretary even though such rice is marketed prior to the beginning of the marketing year, and marketing certificates for such marketing year shall be valid to cover sales or removals made on or after the date so determined by the Secretary.

“(c) Upon the exportation from the United States of any processed rice with respect to which certificates were acquired, the Commodity Credit Corporation shall pay to the exporter an amount equal to the value of the certificates for the rough rice equivalent of such processed rice. Such payments may be in cash or in kind, as determined by the Secretary.

“(d) Upon the giving of a bond or other undertaking satisfactory to the Secretary to secure the purchase of and payment for such marketing certificates as may be required, and subject to such regulations as he may prescribe, any person required to have marketing certificates in order to market processed rice or remove such rice for sale or consumption may be permitted to market or remove such rice without having first acquired marketing certificates.

“IMPORT RESTRICTIONS

“SEC. 380e. Each person who, on or after the beginning of the marketing year for each marketing year for which a rice marketing allocation program is in effect, imports processed rice into the United States shall acquire marketing certificates covering the rough rice equivalent of such processed rice.

“ASSISTANCE IN PURCHASE AND SALE OF MARKETING CERTIFICATES

“SEC. 380f. For the purpose of facilitating the purchase and sale of marketing certificates, the Commodity Credit Corporation is authorized to issue, buy, and sell marketing certificates in accordance with regulations prescribed by the Secretary. Such regulations may authorize the Corporation to issue and sell certificates in excess of the quantity of certificates which it purchases. Such regulations may authorize the Corporation in the sale of marketing certificates to charge, in addition to the face value thereof, an amount determined by the Secretary to be appropriate to cover estimated administrative costs in connection with the purchase and sale of the certificates and estimated interest incurred on funds of the Corporation invested in certificates purchased by it.

“AUTHORITY TO FACILITATE TRANSITION

“SEC. 380g. The Secretary is authorized to take such action as he determines to be necessary to facilitate the transition from the program currently in effect to the program provided for in this subtitle. Notwithstanding any other provision of this subtitle, such authority shall include, but shall not be limited to, the authority to exempt all or a portion of the rice in rough or processed form in the channels of trade on the effective date of the program under this subtitle from the marketing restrictions in subsection (b) of section 380d, or to sell certificates to processors covering such rice at such prices as the Secretary may determine. Any such certificates shall be issued by the Commodity Credit Corporation.

“REPORTS AND RECORDS

“SEC. 380h. This section shall apply to processors, exporters, importers, and warehousemen of rice in rough or processed form and all persons purchasing,

selling, or otherwise dealing in rice marketing certificates. Any such person shall, from time to time on request of the Secretary, report to the Secretary such information and keep such records as the Secretary finds to be necessary to enable him to carry out the provisions of this subtitle. Such information shall be reported and such records shall be kept in such manner as the Secretary shall prescribe. For the purpose of ascertaining the correctness of any report made or record kept, or of obtaining information required to be furnished in any report, but not so furnished, the Secretary is hereby authorized to examine such books, papers, records, accounts, correspondence, contracts, documents, and memorandums as he has reason to believe are relevant and are within the control of such person.

“REGULATIONS

“SEC. 380i. The Secretary shall prescribe such regulations as may be necessary to carry out the provisions of this subtitle, including but not limited to regulations governing the acquisition, disposition, or handling of marketing certificates.

“DEFINITIONS

“SEC. 380j. For the purposes of this subtitle—

“(a) ‘processing of rice’ means subjecting rough rice for the first time to any process which removes the husk or hull from the rice and results in the production of processed rice.

“(b) ‘processed rice’ means ‘brown rice’ as defined in the United States Standards for Brown Rice, ‘milled rice’ as defined in the United States Standards for Milled Rice, including special grades of brown and milled rice, and such other rice as may be designated by the Secretary of Agriculture.

“(c) ‘United States’ means the several States, the District of Columbia, and the Commonwealth of Puerto Rico.

“(d) ‘rough rice equivalent’ means the quantity of rough rice normally used, as determined by the Secretary of Agriculture, in the production of a particular quantity and type of processed rice, with appropriate adjustments for broken kernels, as determined by the Secretary.

“(e) ‘import’ means to enter, or withdraw from warehouse, for consumption.”

SEC. 302. Section 379i of the Agricultural Adjustment Act of 1938, as amended, is amended (i) by inserting in subsection (a) after the words “subsection (b) of section 379(d)” the words “, subsection (b) of section 380d, or section 380e”, (ii) by inserting in subsection (b) after the words “this subtitle” the words “or subtitle E”, after the words “by section 379h” the words “and section 380”, and immediately preceding the words “marketing certificates” the words “wheat or rice” and (iii) by changing in subsection (d) the words “any marketing certificate” to read “any wheat or rice marketing certificate”.

SEC. 303. The Agricultural Act of 1949, as amended, is amended as follows:

(1) By inserting after section 107 the following new section:

“SEC. 108. Notwithstanding the provisions of section 101 of this Act, the level of price support for the crops of rice planted for harvest in the calendar years 1966 and 1967 shall be as follows:

“(1) If a rice marketing allocation program is in effect, price support for rice accompanied by marketing certificates shall be at such level, not less than 65 per centum or more than 100 per centum of the parity price therefor as the Secretary determines; and price support for rice not accompanied by marketing certificates shall be at such level, not more than the parity price therefor, as the Secretary determines will provide orderly marketing of rice during the harvest season and will retain an adequate share of the world market for United States rice producers, taking into consideration the factors specified in section 401(b) of this Act and the price of rice in world markets.

“(2) Price supports shall be made available only to cooperators.

“(3) The level of price support for any crop of rice for which the Secretary determines that the total supply of rice for the marketing year will not exceed the normal supply or for which marketing quotas have been disapproved by producers shall be as provided in section 101.

“(4) A ‘cooperator’ with respect to any crop of rice produced on a farm shall be a producer who does not knowingly exceed (i) the farm acreage allotment for rice on the farm or (ii) except as the Secretary may by regulation prescribe, the farm acreage allotment for rice on any other farm

on which the producer shares in the production of rice. If marketing quotas are not in effect for the crop of rice, a 'cooperator' with respect to any crop of rice produced on a farm shall be a producer who does not knowingly exceed the farm acreage allotment for rice."

(2) By changing the period at the end of the third sentence in section 407 to a colon and adding the following: "*Provided further*, That if a rice marketing allocation program is in effect, the current support price for rice shall be the support price for rice not accompanied by marketing certificates."

SEC. 304. Section 352 of the Agricultural Adjustment Act of 1938, as amended is amended to read as follows effective beginning with the 1966 crop:

"SEC. 352. The national acreage allotment of rice for any calendar year shall be that acreage which the Secretary determines will, on the basis of the projected national yield and expected underplantings (acreage other than that not harvested because of program incentives) of farm acreage allotments, produce an amount of rice not less than sixty million hundredweights adequate, together with the estimated carryover from the marketing year ending in such calendar year, to make available a supply for the marketing year commencing in such calendar year equal to the estimated domestic consumption of rice for the marketing year for which the allotment is being determined, the estimated exports for such year, and an adequate carryover. Such national acreage allotment shall be proclaimed not later than December 31 of each year."

SEC. 305. Section 353(c) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out paragraph 6.

SEC. 306. Section 353 of the Agricultural Adjustment Act of 1938, as amended, is amended by adding at the end thereof a new subsection (g) as follows:

"(g) If, beginning with the 1965 crop of rice, the owner or landlord of any farm in a State or administrative area in which rice acreage allotments are determined primarily on the basis of the past production of rice on the farm has evicted or evicts any tenant or sharecropper on his farm without just cause, or has required or requires that a tenant or sharecropper pay, in addition to the rental customarily paid in the community for similar land for rice production, a sum of money or anything of service of value, or has forced or forces a tenant or sharecropper by coercion, subterfuge, or in any manner whatsoever to vacate the farm of the owner or landlord or abandon the crop of rice produced by the tenant or sharecropper on such farm without just cause, as determined in accordance with regulations issued by the Secretary, the acreage allotment next established for the farm and for each succeeding year shall be reduced as provided in such regulations: *Provided*, That if the farm acreage allotment for a crop year has been established at the time the determination under this subsection is made by rice for such year has not been planted, the rice farm acreage allotment for such year and for each succeeding year shall be reduced as provided herein."

Mr. JONES. The subcommittee will come to order.

This is a meeting of the Oilseeds and Rice Subcommittee. We are meeting here today to hear witnesses on the omnibus bill, H.R. 7097, and more particularly title III, relating to rice.

In order to have the people understand how we will conduct these hearings, we originally planned that these hearings would be started on Tuesday and run over to Wednesday. However, with the great amount of interest that apparently has been generated we have more witnesses than we can handle in that length of time. We are asking that the subcommittee be permitted to sit during the general debate while the House is in session this afternoon and also tomorrow afternoon. We will take the witnesses as rapidly as possible. We are hopeful that we will have an opportunity to hear everyone who can make any contribution to this problem. We will also have an opportunity for those who cannot be heard personally to file their statements. They will be printed in the official hearing record on this subject and will be available to all members of the committee. We hope that in the interest of time, as well as trying to have the information presented as clearly as possible, that we will refrain from as much repetition as possible.

We are starting this morning by hearing from the administration witness, Mr. Edwin A. Jaenke, Associate Administrator of the Agricultural Stabilization and Conservation Service of the U.S. Department of Agriculture, whom I hope will tell us what the administration proposes in this bill and also why.

Without any further delay we will hear from Mr. Jaenke at this time.

STATEMENT OF E. A. JAENKE, ASSOCIATE ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE; ACCOMPANIED BY CLAUDE T. COFFMAN, OFFICE OF GENERAL COUNSEL; CLAUDE B. FREEMAN, POLICY AND PROGRAM APPRAISAL DIVISION, ASCS; LEONARD B. ELLIS, PROCUREMENT AND SALES DIVISION, ASCS; AND ROBERT A. BIEBER, GRAIN AND FEED DIVISION, FOREIGN AGRICULTURAL SERVICE; U.S. DEPARTMENT OF AGRICULTURE

Mr. JAENKE. Mr. Chairman and members of the committee, the question before this committee today and, in a broader sense, before producers, millers, and exporters of rice is simple and clear cut. That question is how to reduce the costs of the rice program to bring it somewhere comparable with costs of other commodity programs.

Basically there are two alternatives available to the Congress and the rice industry: One alternative can be accomplished without any additional legislative authority; that would be to reduce price supports to the statutory minimum—about \$4.22 per hundredweight; to reduce acreage to the 1.6 million acres statutory minimum, a reduction of 10 percent, and to reduce Public Law 480 programing by about one-third. These actions would reduce the program costs by some \$50 million. Unfortunately, such actions will also reduce gross farm income from rice by between 15 and 20 percent and net farm income much more.

The other alternative involves a reduction in costs of some \$40 to \$50 million also. This program—a two-price or certificate plan—would increase producer's return on his domestically consumed rice while pricing his export rice at approximately competitive world levels. Sharp reductions in cost of export subsidies and in Public Law 480 shipments would be made. With this program, farm income from rice can be raised by some \$20 to \$25 million over the 1965 crop returns and some \$10 to \$15 million over the 1964 returns, with special benefits for the small growers.

This, then, is the choice that affects the rice industry and—specifically now—this committee and the subcommittee.

The Department of Agriculture and the administration studied these alternatives this past winter. The administration is solidly behind the second alternative. It meets the President's guidelines of reduced costs while maintaining or increasing farm returns, particularly those of small farmers.

We rejected the other alternative because of its effects on farm income.

I now welcome the opportunity to provide facts and information, and explain, Mr. Chairman, as you suggested, the administration's proposal for the adoption of a two-price or certificate plan, much along the lines of the one passed by Congress during the mid-1950's.

A quick sketch of the present rice picture and the existing program may put these proposals in focus for you.

Rice as we see it on the table, and as most of it is exported, is milled rice. Part of the original weight of rough rice—that is, farm rice—goes into byproducts in the milling. The figures I am going to use today are the rough rice equivalents in hundredweights.

We consume about 22 to 23 million hundredweight of rice a year for food, some simply as rice, some prepared in cereals, soups, and so on. Brewers use about 4 to 5 million hundredweight of the smaller brokens which are essentially a byproduct of the milling process. Seeding requirements bring total domestic utilization up to 29 to 30 million hundredweight.

Our production in the last couple of years has run 70 to 73 million hundredweight. The acreage grown under allotments in the present program was almost constant through the late 1950's at about 1.6 million, rising in the last 3 years to about 1.8 million acres. Technology has increased yields remarkably, from about 2,500 pounds per acre in the early 1950's to about 4,100 pounds today, and the trend has not yet run its course.

The difference between the 29 or 30 million hundredweight domestic use and 70 million or more hundredweight of rice production has to find a market abroad. We produce rice efficiently. If we want to continue to capitalize on that advantage, it is of prime importance to keep on developing and building our export business.

The United States has been a significant exporter only since World War II. In that short time, we have moved into mainland China's No. 3 export position as they have lost most of their exportable surplus. We are coming close to Thailand and Burma, No. 1 and No. 2, as exporters.

Exports are nearly all as processed rice. In 1963, our total exports amounted to over 41 million hundredweight, rough basis. Nearly 22 million hundredweight, again on a rough basis, were dollar sales. The rest was moved under Government programs—Public Law 480. Most of the Public Law 480 shipments were to the Asiatic area. To make our rice competitive in world markets required an export subsidy of about \$1.60 per hundredweight, rough basis. For each hundredweight of rice that moved under Public Law 480, the cost to taxpayers was about \$6.40 per hundredweight.

With that quick sketch of the rice picture, let us look at the present program. The national acreage allotment is 1,818,638 acres, virtually the same as in 1964, and about 10 percent above the minimum national allotment of 1,652,596 acres set in the present law. The national support price has been reduced about 5 percent from 1964, to \$4.50 per hundredweight in 1965. However, the continuing upward trend in yields will hold national returns up to near the 1964 levels.

The farm value of the crop in 1964 was \$360 million, up sharply from the \$250 million in 1960. These higher returns were a result of increased price supports in 1961, increased acreage beginning in 1962, and sharply increased yields. This 45-percent increase in farm returns has benefited not only rice farmers, but also business in the rice areas of the South, Southwest, and West.

There are about 14,500 farms with allotments. About 2,900 of these are small growers, with allotments under 16 acres.

The improvement in returns to growers over the last few years is gratifying, but it has been accomplished at a high cost to the taxpayer. During fiscal year 1964, the rice program cost \$15 million in price support, \$39 million in export subsidies on dollar sales, and \$126 million under Public Law 480 programs for a grand total of \$180 million for fiscal 1964. This is equal to about \$100 per harvested acre, much higher than any other commodity program. Relative to the size and importance of the crops, rice is the most expensive program.

Unless program changes are made to reduce the taxpayer cost to a more reasonable level, the entire rice program and, therefore, the entire industry may be in jeopardy.

In seeking ways to reduce the cost of the program, the Department of Agriculture was guided by President Johnson's goal of increased income opportunity for farmers and rural Americans. The administration wants economy in farm programs but not at the expense of farmers.

We concluded the two-price or certificate plan offered the best opportunity to reduce costs, and to maintain or to increase farm income. This would be accomplished by placing greater dependence on the market place.

Let me review the major features of the bill.

The program changes under consideration are proposed to take effect for the 1966 and 1967 crops. The principal changes proposed are these:

First, for the 2 years 1966 and 1967, a marketing certificate program would be introduced, similar to that now applicable to wheat. Marketing quotas would remain in effect.

Second, each year the Secretary of Agriculture would proclaim a national acreage allotment which, at estimated average yields, would produce enough rice for estimated domestic consumption, exports, and adequate carryover, but in no case less than 60 million hundredweight. This would replace the 1,652,596 acres minimum now legally specified. I may say here that the Secretary has announced that he does not foresee any need to change the present national acreage allotment if the proposed legislation is passed. This anticipates that expansion of exports will provide an outlet for some increase in production.

Third, each producer would receive a rice marketing allocation, and marketing certificates for his proportionate share of that part of the crop which the Secretary estimated would be used in the United States during the marketing year, except for seed. This domestic allocation would average about 35 to 40 percent of the total crop. The marketing certificates would be worth the difference between the price support on the noncertificate rice, or loan level, and price support on certificate rice.

Fourth, the Commodity Credit Corporation would finance issuance of additional certificates in order to give relatively larger returns to smaller growers. For the first 500 hundredweight, certificates would be issued up to 55 percent of the grower's projected production on his allotment, and on the next 1,000 hundredweight, up to 45 percent, with the remainder equal in percentage to the national domestic allocation of 35 to 40 percent. CCC would also be authorized to assist producers in marketing their certificates, much as we do for wheat. In this manner, growers are immediately advanced the value of their certificates

at harvesttime. CCC would make the certificates available to processors throughout the year.

Fifth, marketing certificates would be required to cover all rice processed in the United States, and all imported processed rice. However, the value of the certificates would be refunded on all processed rice exported. The Secretary would exempt processors from buying certificates for rice processed for noncommercial use such as for use on the farm where grown, or for private donation.

Sixth, price support for rice with marketing certificates would be between 65 and 100 percent of parity. The Secretary has already testified that, if this proposed legislation was applicable for the 1966 crop, it would be his intention to support the price of certificate rice at 100 percent of parity, currently about \$6.50 per hundredweight. Thus the certificate plan would assure each grower of full parity on his share of the rice used domestically; that is, about 35 to 40 percent of the national total, while small growers would be assured of full parity on a relatively larger part of their crop. May I emphasize, no grower would get less certificates than on his share of the domestic rice market.

Seventh, for noncertificate rice, the price-support loan would be at such level, up to parity, as the Secretary determined would provide for orderly marketing and assure an adequate share of the world market, considering world prices and other relevant factors. In short, the price-support loan rate would permit us to price this export portion of the crop—60 to 65 percent—at near the world price level, greatly reducing the cost of the present export subsidy, and of Public Law 480 programs.

Eighth, instead of the historical "normal yield" used in computations at present, a "projected yield" would be used. This "projected yield" would be based on the average yield per harvested acre of rice on the farm during each of the 3 preceding calendar years, as adjusted for abnormal weather effects, trends in yields, and any significant changes in production practices. In effect, this takes realistic account of current trends in yields and production practices.

Ninth, entirely unrelated to the certificate plan, and at the request of producers in some areas, a provision would be added to protect tenants and sharecroppers from eviction or other mistreatment by their landlords. In event of such mistreatment by a landlord, the Secretary, beginning with the 1965 crop, could reduce the farm acreage allotment to the landlord.

In beginning this explanation, I said that a prime objective is to cut the costs of the program to taxpayers, but not to do this by sacrificing the producers' returns. We want to improve returns to producers.

Within the existing law, we could cut costs by reducing price supports about 5 percent, and acreage allotments about 10 percent. Doing both would be necessary to get savings about equal to what we expect the domestic parity certificate program would achieve. But this reduction of costs would be at the expense of the producers' returns. It would make less rice available to develop our exports, and for our national policy of using food for peace and for world economic development.

On the other hand, the certificate plan as proposed would cut costs to the taxpayer by \$40 to \$50 million, and at the same time raise rice

producers' returns above current levels. The small producers would share to a relatively greater extent in this increase.

While growers would get greater returns from full parity price through the domestic marketing certificates, the export portion of the crop would be available for foreign sales and food-for-peace programs at prices near enough to world market levels to be competitive yet require little export subsidy.

I want to emphasize the critical importance for American agriculture of developing foreign markets—and rice as a 60 percent export crop is a prime example. We have a lot of good cropland—more than we can fully use at present. We have farmers who know and use the most advanced technology to achieve an almost fantastic productivity rate. We cannot say that we have absolutely saturated the domestic market for farm-produced food and fiber. But no nation has ever been so well supplied, or at such a bargain, considering that the average family pays its food bills with only 19 cents out of every paycheck dollar. Even after we provide especially for children and needy through the school lunch, the food stamp plan, and the direct distribution programs, we still need markets to keep our agricultural production potential fully occupied. Those markets have to be found abroad.

With strong salesmanship and competitive prices, we can introduce our products and enlarge markets in countries now able to pay dollars. For the long pull, bigger foreign market potentials lie in countries now in earlier stages of economic development, full of people with great unsatisfied needs. Using our today's abundance to develop our tomorrow's markets by helping them build their economies through food for peace is good business as well as good human relations. This rice legislation is an important part of it.

I do not want to let it be thought that we have not carefully considered the welfare of our own consumers. The program will continue to provide ample supplies of rice for all purposes in the domestic market, at prices reasonable in terms of today's increased purchasing power.

Any increase in the cost of rice which may result from the certificate plan will be so modest that the average family will not feel it in grocery bills. The national average per capita consumption of rice, milled basis, is 6 to 7 pounds a year. A little less than 5 pounds of this appears to be consumed directly, a little over 2 pounds in the form of soups, cereals, baby food, and convenience foods.

The average retail price of rice is about 19 to 22 cents a pound, depending on the variety preferred. The certificate plan would increase this by 4 to 6 cents. On the average per capita rice consumption, this amounts to 25 or 30 cents per person per year.

Our analyses, however, have gone beyond national averages. More rice is eaten in some parts of our country, and among some economic groups, than the national per capita average. In Puerto Rico, in Hawaii, and in some areas on the mainland, consumption is at higher levels.

What may be the effect of the certificate plan on such people, and on the total volume of consumption?

As part of the department's consideration of the two-price, certificates program, we asked our technicians to carefully examine all

available data and studies relating to the effect of an increase of 2 to 3 cents, rough rice basis, on the consumption of rice. We asked them to examine the effects in different ethnic and income groups.

Based on these studies, our technical specialists concluded that total domestic consumption would hold about steady, at current levels, for 1 or 2 years and then resume the recent pattern of annual increases. Even at the slightly higher price of certificate rice, it will remain among the cheaper items in the total food intake.

Supplying rice—already a low-cost food—at subparity prices in order to assist very low-income families is not the way to combat poverty. The answer is to help the low-income families by expanding food donation until the programs to increase family income have an opportunity to become fully effective.

Furthermore, many of the low-income families receive large quantities of rice in the department's needy family program. In fiscal year 1964, we distributed slightly over 1 million hundredweight of milled rice. In addition, we furnished an additional 0.4 million hundredweight to schools, institutions, and welfare camps. These quantities will not be reduced because of the certificate program. As a matter of fact, increases in these programs are budgeted for next year.

These programs, plus the President's overall war on poverty program, are aimed at a direct solution to this national concern.

I have tried to highlight the objectives of the proposed changes in rice legislation, and the considerations that have led us to these proposals. We believe they will achieve the objectives of lowering program costs and increasing producer income. We believe they will also enable us to enlarge our markets abroad. They will inflict no undue hardships on consumers. It is our intention and desire to work as closely as possible with the Congress, the producers, and the industry, in developing any modifications or improvements in this program which contribute effectively to the objectives.

Thank you.

Mr. JONES of Missouri. I want to thank you, Mr. Jaenke, for your presentation. You have outlined here the alternative method which could be used in the event that the administration's recommendation is not acceptable to the Congress. On page 5 of your statement, about in the middle of the page, it states:

Within the existing law, we could cut costs by reducing price supports about 5 percent, and acreage allotments about 10 percent. Doing both would be necessary to get savings about equal to what we expect the domestic parity certificate program to achieve.

I am sure that you did not intend this as a threat to the industry, but in view of the President's farm message and because of this program, do you think that the Secretary of Agriculture would use such alternative if we do not adopt some other plan and would he probably go to this plan to bring about such a change?

Mr. JAENKE. Mr. Chairman, I certainly want to emphasize, as you indicated here, that this is in no way meant to be or intended to be interpreted as a threat or anything like this on the part of the Secretary, the administration, or myself and anyone else. As we looked at this program and considered it, in the light of the overall picture in agriculture—in the light of the continuing budget pressures—in the light of the attitude generally expressed by Congress on budgetary

items and on the cost of the farm program—we have become quite concerned about the rising cost of the rice program. It is rather far out of line in terms of other commodity programs. The rice-producing industry is very similar to those for the production of some of the other basic commodities where serious conditions would exist—very serious income conditions, almost chaotic conditions—if there were no price- and production-type programs. We believe that if something is not done in the way of bringing the rice program costs more nearly in line with other programs, with cotton, with feed grains, with wheat, and so forth, that the chances of a continued price support and stabilization program in rice would be in serious jeopardy. As I have indicated, what we have tried to do was to inform you and the Congress and the industry itself, what we feel are the two ways in which costs can be reduced and reduced quickly. This is vital if the long-range position of the rice industry is to continue.

Mr. JONES of Missouri. What I was trying to bring out here is that there have been recommendations from many areas that we just eliminate title III from the bill. What I am trying to bring out here is that should the Congress decide to do that, then the Secretary would still under existing law have the opportunity to make the reduction in price supports and also in acreage reduction.

Mr. JAENKE. Under existing law he would, sir.

Mr. JONES of Missouri. He would?

Mr. JAENKE. Yes.

Mr. JONES of Missouri. Just as he has used the existing law to reduce the support price of cotton, as an example?

Mr. JAENKE. Right, sir.

Mr. JONES of Missouri. In other words, by reducing the costs.

I have but one other thing that should be brought out here as an alternative. But I shall go into that later.

Mr. Gathings, are there any questions?

Mr. GATHINGS. Yes, Mr. Chairman. I want to say to you Mr. Jaenke, I know of your efforts and interests with regard to rice over a period of many months. I am sure that the program that you bring to us today is the result of you and your associates efforts and study for quite some time.

I would like to ask you, though, Mr. Jaenke, who is it that demanded this program? who asked for it in the beginning? where did it come from? how did it arise?

Mr. JAENKE. Thank you for your other remarks. We try to do our job, so far as serving and being available to work with the rice industry. May I say at this point that I have worked with a number of the different commodity groups in the last 5 years in the Department, and prior to that, up here on the Hill. In no other producer or industry group have we had finer cooperation and a finer spirit of working out problems together. This is the spirit in which we present this particular legislative proposal today, and as the President did earlier.

The two-price rice plan is hardly new. There have been a number of studies made. Just within the last few days, I reviewed some of these which date back to the 1950's and in which consideration was given to adopting this type of a program for rice. I think it probably fits this type of a commodity, Congressman Gathings, better than do

others. And as we look down the road into the future with a very, very bright prospect of export markets and export sales, I think it becomes ever more important.

So this kind of a rice program has been given consideration in the last few years within the Department of Agriculture.

We have done a number of different studies and analyses on how such a program would work and how it would affect the rice industry. We believe there is going to be a lot of problems, should this legislation become law. There always are with a new bill. It takes time to work out the kinks and to get everything in line, but we believe that this is an entirely workable program. We believe in the long run it is a very desirable program, from the industry standpoint.

Mr. GATHINGS. This program is different from that one back in the 1950's where you did not use the poundage criteria—it is different in that respect. As I recall, at that time there was no discrimination against particular types of growers. So there is quite a difference between these two.

Mr. JAENKE. On those two points, sir, I believe that the program considered during the mid-fifties applied an allocation based on a primary market which was equal to the domestic market plus exports to Cuba. That method was about the same as our proposed program. The earlier proposal, however, did not call for 100 percent of parity. I believe it went to 90 percent of parity on the primary market share.

Mr. GATHINGS. Let me check on that a little on that point. We differ on that.

Now to place additional costs on the consuming public of from 4 to 6 cents a pound is an appreciable increase in the cost of the rice over the counter, is it not? That is some 20 percent or better increase in the cost of the rice, is it not, sir?

Mr. JAENKE. Approximately that; yes, sir.

Mr. GATHINGS. Do you not think that that is pretty large to put on the poor people of this country that like to eat rice, to increase the cost of that product to them?

Mr. JAENKE. As I indicated in this statement, Congressman Gathings, the increase on an average would be somewhere between 25 and 30 cents per person per year. In the areas of greater consumption, this would be higher, in the range of \$1.50 to \$2 per person per year. But to the bulk of the rice consumers, those that consume around five pounds, this is going to be a very minor increase in their total food budget and their grocery bill. When you consider the food value—the nutritional value of rice relative to other commodities that different groups might eat—it still is a very, very good buy and highly nutritional product. We believe it is not going to disrupt consumption patterns very significantly if at all. I indicated earlier our viewpoint on that part of your question dealing with the low-income people. The way to deal with that problem, and I know that you agree with this, sir, is not by maintaining low rice prices. The way to deal with that problem most effectively is to deal directly with it. I think that this ought to be done. I think that the administration's rice program proposal plus existing programs does this. Perhaps they need to be improved.

The question that could be asked here is, "Should we continue to maintain relatively low priced rice as a part of a poverty program?"

Mr. GATHINGS. Of course, getting back to rice, I am a rice consumer—a big rice consumer. I eat—I would eat much more wild rice, but I do not think that I am in a position to purchase it—I do not want to buy wild rice—it is mighty good, once a year as a delicacy. [Laughter.]

Folks do not eat much wild rice. There would not be too much difference if we had 4 to 6 cents per pound on that kind of rice. The folks that I am talking about eat a lot of rice. They eat the long-grain and medium-grain rice.

In any event, I want to ask you, Mr. Jaenke, why is it that you come up now with a \$40 to \$50 million savings when we had a conversation only about 3 weeks ago, or a month ago, as I recall, and I could be mistaken, you were talking about \$25 million savings in the certificate plan for rice. I do not want to mislead.

Mr. JAENKE. I do not recall anything in the range of \$25 to \$30 million. Earlier this year, in some discussions with the members of the industry at a rice advisory committee meeting we talked in terms of \$50 to \$60 million. Subsequently the feature which provides for extra marketing certificates on an additional amount on small acreage, was incorporated into the bill. As I indicated in prior testimony, because the certificates in effect would be issued and be bought by the Government, this would add around \$10 million to the cost of the program. Hence the \$40 to \$50 million figure that I have indicated here.

We believe that this program, because of savings in terms of export subsidies and in terms of Public Law 480 costs, will result in cost reductions close to \$50 million.

We have used the figures of \$40 to \$50 million because we are talking about something that is not here—that is in the future—and we cannot be that precise—but it certainly will be in this range, Congressman Gathings.

Mr. GATHINGS. I could have misunderstood you at that time. Let me ask you this: How much were the costs in the rice program for transportation, including moving it into the export channels, using American bottoms?

Mr. JAENKE. Of the \$126 million cost of Public Law 480 in 1964—and I would like for some of my associates here to help me on the exact figure—transportation costs were in the range of \$9 million.

Mr. GATHINGS. The figure of \$126 million, the total cost, represents a major part of all of the cost of the rice program?

Mr. JAENKE. Right, sir.

Mr. GATHINGS. Because the cost entailed \$179.7 million and \$125.8 million or \$126 million of Public Law 480 costs—those were the figures?

Mr. JAENKE. Right, sir.

Mr. GATHINGS. Do you not think that the Department of Health, Education, and Welfare and that the Department of State all have a hand in this cost—do you not think that we are building goodwill around the world by virtue of moving this rice into Public Law 480 channels and that they should share a good part of the cost?

Mr. JAENKE. Yes, sir. I personally do. I believe that the Department of Agriculture has so indicated in testimony that we believe some changes in the allocation of some of these transportation costs are in order.

Mr. GATHINGS. Would you mark off the whole \$125.8 million of Public Law 480 costs as a total loss to the American taxpayer?

Mr. JAENKE. That is a very difficult question to answer. The book-keeping procedures established by the Congress for keeping tab on Commodity Credit Corporation books, which is the financing operation of this program, requires that the costs of Public Law 480 be expressed as we have here and as we have over the years for this commodity and all other commodities.

It seems to me that the transferring of this cost to some other department or agency or function does not necessarily make that cost disappear, though. The cost is still there.

I personally feel that our food-for-peace program contributes to farm income. This is understandable. We are talking about roughly 19 to 20 million hundredweights of rice.

Mr. GATHINGS. Let us take title I——

Mr. JAENKE. Title I, sure.

Mr. GATHINGS (continuing). Do we not get a little return or benefit from title I, sir?

Mr. JAENKE. We get great returns.

Mr. GATHINGS. Is not title I in some way contributing to returns that we get from these various countries that get our rice?

Mr. JAENKE. Yes, sir.

Mr. GATHINGS. And it is considerable, too, is it not, from the funds that are available—the return from those countries?

Mr. JAENKE. Those funds are used for purposes of importance to the United States and to our foreign policy, whether they be used by the U.S. citizens or whether they be provided to the recipient governments; yes, sir.

Mr. GATHINGS. And the funds that go into the costs on these Public Law 480 titles, for example, how much rice is going out?

Mr. JAENKE. Mr. Chairman, may I at this point do something? I would like to introduce the gentlemen from the Department of Agriculture who are with me here today: Mr. Claude T. Coffman, on my left, from the General Counsel's Office; Mr. Claude B. Freeman, from ASCS; Mr. Leonard Ellis, from ASCS; and Mr. Bieber, from FAS, who will reply.

Mr. BIEBER. In the 1963–64 marketing year there were 18 million hundredweight, on a rough basis, or 574,000 tons milled under title I.

Mr. GATHINGS. Just a little louder.

Mr. BIEBER. 18 million hundredweights, rough basis, under title I in 1963–64; approximately 574 million tons of milled rice. There was 1.6 million hundredweight or about 51,000 tons milled under title IV.

Mr. GATHINGS. Well, now, of course, title IV, that program is a long-term credit plan. That is for dollars. That comes back to us in dollars.

Mr. JAENKE. Deferred dollars; that is right, sir.

Mr. GATHINGS. How much of our rice is going to feed the hungry schoolchildren here and abroad?

Mr. JAENKE. Do you have those figures?

Mr. GATHINGS. That go into the school lunch program.

Mr. JAENKE. A little less than a quarter of a million bags, Mr. Ellis advises me. We indicated here that there is about——

Mr. GATHINGS. Mr. Jaenke, with reference to dollars and cents now, what would that amount to?

Mr. JAENKE. If you take the entire direct distribution program, in the United States, the amount that goes for families, for schools, the food stamp plan, et cetera, it amounts to about 1.4 million hundredweights which compares, roughly, to our 73 million hundredweight crop. So it is about 2 percent.

Mr. GATHINGS. About 2 percent here?

Mr. JAENKE. Yes.

Mr. GATHINGS. What about abroad, though—how much of our rice goes into the school lunch programs, consumed by schoolchildren in some other countries?

Mr. JAENKE. Mr. Bieber advises me that none goes for that purpose.

Mr. GATHINGS. None at all?

Mr. JAENKE. No.

Mr. GATHINGS. How much goes into title II and title III uses?

Mr. BIEBER. The last 2 years rice has only been available under title I and title IV—no title II or title III programs.

Mr. GATHINGS. None has been used for disaster and the like?

Mr. BIEBER. No.

Mr. GATHINGS. Now the rice industry itself has built up consumption in this country by some 1 to 1.2 pounds per capita in the past few years. We are proud of that program. All segments of the industry have contributed to this. They are urging the people of America to eat rice—to eat more rice. It has produced results.

Now you come along here with a certificate plan that will increase the cost to the domestic consumer from 4 to 6 cents a pound. Don't you think that it will have an adverse effect upon this program that the rice industry itself has put into effect?

Mr. JAENKE. We certainly applaud the efforts to increase the consumption of rice at home and abroad as well. I think the Department's programs of direct distribution and domestic school lunch programs, et cetera, are probably very influential in this increase in consumption. We certainly would not want to see anything happen to this part of the program—the program by the industry or our own program, in terms of increasing consumption. But as I indicated before, our conclusion is that it would not have any serious disruptive effect.

I must say, also, that this was considered in the light of the overall picture of farm income and of long-term export potential and other things. And in the light of these considerations, we have concluded that it would not be a significant deterrent in its effect.

Mr. GATHINGS. I want to ask you why it is that you want to discriminate against a person because of his size.

Mr. JAENKE. There is absolutely no discrimination in this program because of size. Every rice producer, should this program be enacted, be he a rice producer with 1 acre or 100,000 acres would be able to and would get his share of the domestic market certificates. His share of how much is consumed by the 180 million or 190 million Americans, whatever the figure is now. The extra amount—let me finish, please, sir—

Mr. GATHINGS. All right—surely.

Mr. JAENKE. The extra amount that we refer to here for the small producers would be financed by the Commodity Credit Corporation

in an effort to bring their returns up. It would not in any way come out of or discriminate against the larger producers. They would get their share.

Mr. GATHINGS. I understand, yes, they would get their share.

Mr. JAENKE. Yes, sir.

Mr. GATHINGS. But you break down in the specifics to give a relatively larger return to the smaller growers.

Mr. JAENKE. That is right, sir.

Mr. GATHINGS. You mention here that 2,900 farms have less than 15 acres. Do you know how much rice acreage—and I am sure that you do—would be required as an economic unit? Who could operate a 15-acre rice farm and make a living?

Mr. JAENKE. It would be very difficult. And I think that is exactly why something is needed here to try to help these producers out.

Mr. GATHINGS. An economic unit is from 50 to 70 or more acres in order to operate it well.

Mr. JAENKE. Yes.

Mr. GATHINGS. So you talk about helping the little man, and then the figure of 2,900 as to the number of farms with 15-acre rice allotments.

Mr. JAENKE. A lot of people are trying it. What this attempts to do is to give them a little better chance to make a living off of it. I agree with you.

Mr. GATHINGS. Is it a crime in America for a man to own a big farm?

Mr. JAENKE. No, sir.

Mr. GATHINGS. Is it?

Mr. JAENKE. No, sir.

Mr. GATHINGS. This country was built on the incentive and initiative of the individual. And you come in here now and want to have three levels—to set up three levels of values in the certificates. That is the type of program you have. That was not true in the fifties.

Mr. JAENKE. That was not in the bill in the fifties.

Mr. GATHINGS. Thank you. That is all.

Mr. JONES of Missouri. Mr. Findley?

Mr. FINDLEY. Has any producer group asked for or indicated support for this certificate plan?

Mr. JAENKE. We have not polled them, but from our mail there seems to be a great deal of concern on the part of the industry groups.

[Laughter.]

That must have been a good answer. That is, on the part of this program. We would hope, sir, that all members and segments of the industry would give it careful study and take a look at the longer range future in rice. We would also hope, sir, that they would come to the same conclusion that we have, that in the terms of the long-range program and, most important, in the terms of immediate farm income that the best opportunity lies along something of the lines of this program.

Mr. FINDLEY. Have you had any indication from any single producer group in support of this certificate program?

Mr. JAENKE. Again, I have not conducted a survey or anything like this, but repeating the general tenor of our mail, it has overwhelmingly expressed concern or opposition to the bill.

Mr. FINDLEY. Have any processor organizations indicated support for it?

Mr. JAENKE. Organizations?

Mr. FINDLEY. Yes.

Mr. JAENKE. Again, not to my knowledge.

Mr. FINDLEY. How about consumer groups?

Mr. JAENKE. I do not know that. I have not seen any expressions on the part of consumer groups concerning this bill Congressman Findley.

Mr. FINDLEY. I have not either. The reason I asked those questions was that I have been trying to figure out where the certificate idea came from. I can only conclude that it came from the administration. I have detected no support or interest in this approach beyond the administration itself. Is this an unfair conclusion, would you say?

Mr. JAENKE. No, I would think, as I expressed it here and as I answered Congressman Jones' first question, I think that this program offers something that has been well studied—something that is not new, that nobody has ever talked about before. We have given a lot of consideration to it over the years. It offers opportunities that are not in the present program. And cost questions concerning the rice program are becoming increasingly critical each year. We think that it would be better to make these changes now than to wait.

Mr. FINDLEY. I am glad that you recognize the cost problem. That is one that certainly we are concerned with and have been for some time, especially when we consider the cost of the present program is more than one-half of the total market value of the commodities.

Mr. JAENKE. Yes.

Mr. FINDLEY. But I cannot follow your arithmetic when you conclude that the proposal you make would reduce the cost by some \$40 to \$50 million. How do you arrive at the conclusion that there will be any reduction in costs? I can see that the costs would be shifted, but is there really a reduction in the cost of the program to the American citizen, whether he be a taxpayer, consumer, or otherwise?

Mr. JAENKE. I am happy to go into this a little further. Let us take the current crop year, where the price support level was \$4.70 per hundredweight. The world market price is somewhere in the range of \$1.25 to \$1.50 below that. Assume it is \$1.25 below price support. This means that for each hundred pounds of rice exported for dollars, the Government or the taxpayers have to subsidize it by this difference between the domestic and world market price.

In the case of Public Law 480, the same thing is true, only to a greater extent, because the Government and the taxpayers finance the entire cost. To the degree that we can establish a domestic loan level and, therefore, a domestic market price, much closer competitively with world prices, each 100 pounds of rice exported for dollars thus will save \$1.25 or \$1.30, whatever the exact figure may be, and each hundredweight of rice moved under Public Law 480 will be reduced by a comparable amount.

When you are talking in terms of over 40 million hundredweights—this amounts to a considerable amount of money.

Mr. FINDLEY. But to get the costs down, somebody has to get less money, it would seem. Apparently the farmers are going to continue to get roughly the same, or maybe a little bit more. So who is going to get less money in order to make possible these cost reductions?

Mr. JAENKE. To maintain the farm income and a possible increase as provided in this bill, we are proposing to shift to a greater emphasis—to greater dependence—on the market price for the rice, plus the certificate, which will be the total price to the farmer on his domestic share.

Mr. FINDLEY. All you are really saying is that you would shift from the American citizen as a taxpayer to the American citizen as a consumer about \$40 to \$50 million in cost—is that not what you are saying?

Mr. JAENKE. It certainly will reduce the Government's cost involved in the subsidization and in the handling of Public Law 480 costs. It will place greater reliance on the market price for this to the degree that the individual consumers are taxpayers, they will buy this rice in the market.

Mr. FINDLEY. In the fourth paragraph of your statement you speak of the alternative that can be accomplished without additional legislation.

Mr. JAENKE. Yes, sir.

Mr. FINDLEY. The first year that I was on this committee, which was in 1961, the Secretary raised the level of price supports for dairy products. We had a subsequent accumulation or buildup of dairy products. The Secretary was reluctant to drop the support level. He asked the committee to pass a resolution establishing dairy support levels at the high level. The committee did not do so and, subsequently, the Secretary cut the price supports. Apparently, it was a beneficial move, because Government stocks disappeared and we have not had much clamor for a new dairy program. Why could not the same beneficial results follow if a reasonable, moderate reduction in price supports is made for rice?

Mr. JAENKE. First of all, let me backtrack. I think that your assumption upon which you base your question is not quite totally correct. I think, if you will recall, the Secretary was limited in the case of dairy products by some language in the act. And this is what was behind the request for a resolution to deal with the dairy situation. But I think that aside from that point, there is an entirely different situation as between rice and dairy.

Mr. FINDLEY. Under the law he had to make the adjustment in price support to correct the supply situation.

Mr. JAENKE. That is correct.

Mr. FINDLEY. I realize that he has the discretion to do it or not to do it under the rice program, but he does not have the authority.

Mr. JAENKE. He would have the authority as we indicated. Under existing law he has the authority to reduce the price-support level to a range of \$4.20 to \$4.24 depending on parity. But you have an entirely different commodity in dairy than in rice, just the same as you have a different situation in cotton than you have in wheat or something else. On the basis of all of the available studies that we have seen, the demand for rice is quite inelastic and would not be increased significantly or decreased significantly by a change in the market price or the price-support level upon which your market price is based or to which it is related. Now why would this alternative accomplish the purpose of reducing the costs? It would, because of this export question. We doubt that dropping the loan level to \$4.22 would do one bit to the domestic consumption, but by dropping it to that level we would

reduce again this difference between the world price and the domestic price on 60 percent of the crop.

Mr. FINDLEY. Would this not be more than offset by the cost to the consumer of your certificate program?

Mr. JAENKE. No, I do not believe so. And, certainly, from the standpoint of—

Mr. FINDLEY. It will be shifted to a different pocket, will it not?

Mr. JAENKE. From the standpoint of the long-range picture in agriculture, food has continued to become a relatively less important item in our budget. As you know, it only takes about 18 or 19 percent of the average American payroll now to purchase the food and the fiber that the average American needs. We believe that it is desirable in some of these commodities. As you know, for wheat we proposed placing a greater reliance on the market price. This is how other segments and other producers of raw materials as well as finished products deal in our modern economy. We think it should be no different in agriculture.

Mr. FINDLEY. Without Public Law 480 and the export subsidy provided for rice, how much U.S. rice would we sell abroad?

Mr. JAENKE. Practically none.

Mr. FINDLEY. I notice in your statement that you have indicated that for each hundredweight of rice that moves under Public Law 480 the cost to the taxpayer was over \$6. What is the domestic market value per hundredweight of rice now?

Mr. JAENKE. Currently it is around \$5, \$5.15, somewhere in that area.

Mr. FINDLEY. So it costs more than the U.S. market value of rice to move it under Public Law 480, even though we get some dollar returns under title IV, and so forth.

Mr. JAENKE. That is correct, sir. The handling, assembling, transportation, bagging, and so forth are other costs that are involved. So all of these costs are involved.

Mr. FINDLEY. Have you had the opportunity to analyze the agreements under Public Law 480 to determine what percentage of the rice sales—and I use the word “sales” loosely—were actually donations?

Mr. JAENKE. I do not have those figures. I do not think that we would be prepared this morning to comment on that. I think that you need to look at the individual country recipient. And each person would probably want to analyze what the chances are for each individual country to deal with this matter in the years distant.

Mr. FINDLEY. What percentage of dollar sales are under title IV?

Mr. JAENKE. One and one-half million hundredweight.

Mr. BIEBER. I have the figures for the 1963–64 marketing year. Cash sales were very good in that year. Of our exports, 54 percent were for cash, 46 percent under Public Law 480, 43 percent under title I, and 3 percent under title IV.

Mr. FINDLEY. I agree with the Administrator that the cost of the present program is at a staggering level, but I do not see how you are going to cut costs without making less dollars available to the producers ultimately.

Mr. JONES of Missouri. Mr. Hagen?

Mr. HAGEN of California. As I understand, in some parts of the country they grow two crops of rice a year. Why do you permit that?

Mr. JAENKE. It is a part of their traditional production pattern. In all of our commodity programs where this occurs traditionally and normally we have permitted this. If you are referring to some areas where in recent years they have been permitting a second growth to be harvested, the department has recommended to the Congress—and a bill has been introduced by the chairman of your full committee, Mr. Cooley, and by Senator Ellender on the Senate side—that authority be granted to prevent the harvesting of the second crop on stubble ground, because it is not in the traditional pattern of production.

Mr. HAGEN of California. As I understand it, there are certain types of rice which go almost entirely into Government loan, and that most of the Government losses are in this one variety of rice. Is that correct?

Mr. ELLIS. The actual quantity of rice delivered to the Government under the support program in recent years, while relatively small, has been predominantly long-grain rices, rather than medium-grain rices.

Mr. HAGEN of California. Which is it, NATO?

Mr. ELLIS. NATO is a medium-grain rice.

Mr. HAGEN of California. How much is there in those categories?

Mr. ELLIS. There is a very small amount.

Mr. HAGEN of California. How?

Mr. ELLIS. Medium-grain stocks are very small at present.

Mr. HAGEN of California. Do you have any authority to discourage production of those types of rice or at least remove the incentive to produce them?

Mr. JAENKE. We have authority within the price support program to establish what amounts to premiums and discounts for different types and qualities and classes of rice, and we do exercise that authority and have in the case of some classes of rice over the last 2 or 3 years. We have adjusted these, so that the relative proportion of these commodities might not be encouraged to too great a degree.

Mr. HAGEN of California. Do you have any limit on what you can accomplish through premiums and discounts?

Mr. JAENKE. Yes.

Mr. HAGEN of California. In other words there are rice varieties which have poor market acceptance but are grown because of the high yield per acre with the assurance of Government nonrecourse loan availability?

Mr. JAENKE. Yes, sir.

Mr. HAGEN of California. I have one more question. As I understand it, the effort of this bill is to shift part of the cost of the rice program to domestic consumers? Each producer would be assigned a share of the national average of sales for domestic use including Puerto Rico.

Mr. JAENKE. Yes.

Mr. HAGEN of California. I am advised this is not a fair formula because certain production areas and certain areas have historically supplied more than the national average of sales in the domestic and Puerto Rican markets. Have you thought of the inequity of using the national average as a formula for assigning shares in the domestic and Puerto Rican markets?

Mr. JAENKE. I do not believe that they would be adversely affected under this program, sir. Every producer, whether he produces a

class of rice which is in demand or in use under Public Law 480—whether it is dollar export or whether a very expensive table rice or whether it goes into other uses—has generally the same loan value with these premiums and discount considerations. Generally, they get the current market price for those commodities. I do not believe that there is any way possible in this program, any more than there would be in any other of our commodity programs, to differentiate one State or one county or one part of a county from the rest of the county or the State or the country. Of course, we are talking about a total supply picture. The production of rice, whether it be of one class or another class, has the same effect on the total use. If we were not to have the production of a particular kind, or a greater production of a particular type of rice, if the price rose, the people would switch to another type. You have a lot of rice in which different uses and needs come. We would not see any merit in dividing it by States or counties, that is, by an allocation percentage.

Mr. HAGEN of California. With a minimum national acreage allotment which guarantees a surplus every year, what accounts for the policy of permitting production over that minimum allotment the several years past?

Mr. JAENKE. Well, in 1962, when the acreage was increased we had very strong representations to do so from the rice industry in meetings with the department people, No. 1 and No. 2, on the basis of potential dollar sales. Dollar sales have been increasing rather sharply. In addition to that, there was some special conditions and circumstances throughout the world which made Public Law 480 rice look more desirable at that time.

I would say in view of the circumstances at that time, the action taken was appropriate and desirable.

Mr. HAGEN of California. Well, I agree with Mr. Findley that if you ought to do something—you ought to reduce the price support and the acreage. As I understand it, rice has been building a market. People are eating rice. Certain beer manufacturers use the rice in their product and they would drop the use of rice if the price increased. I think that you ought to decrease the price support and that you would save about the same amount of money that you would by this program.

Mr. JAENKE. It will save about the same amount of money, yes, but it will also have a rather sharp effect on the gross income of producers and much more on the net farm income.

Mr. HAGEN of California. You have to face realities. Somebody has to take a licking. Most of these rice growers are not in the poor category as farmers.

Mr. JONES of Missouri. Mr. Stalbaum?

Mr. STALBAUM. Mr. Jaenke, in the alternative to get the reduction in price supports that Mr. Findley referred to, in effect then you would be transferring the \$50 million cost to the producer if that were the alternative that would be accepted, rather than to the consumer or the Government.

Mr. JAENKE. That is right, sir.

Mr. STALBAUM. And if that is the alternative that were adopted the producers should recognize the fact that they would be bearing the full cost of the reduction.

Mr. JAENKE. They would, sir.

Mr. STALBAUM. One other question. On page 4, in your item No. 4, on the variability in certificate value, in the percentage——

Mr. JAENKE. Yes, sir.

Mr. STALBAUM. Is this not similar to what we have now contemplated for wool?

Mr. JAENKE. Yes, sir.

Mr. STALBAUM. Thank you. That is all.

Mr. JONES of Missouri. Mr. Bandstra?

Mr. BANDSTRA. As I understand the proposition, Mr. Jaenke, we are confronted with two alternatives. So the question finally boils down to whether or not there will be a reduction of income on the part of the producer or that part of the cost is going to be absorbed by the consumer; is that correct?

Mr. JAENKE. Yes, sir. That is certainly part of the question. I think you stated it very well.

The other part, I think, is whether or not we take a route that reduces farm income by a rather considerable amount. That is the other consideration that I think would be added to your statement.

Mr. BANDSTRA. I was also interested in the variance in the value of the certificates, which is found on page 27 of H.R. 7097, which Mr. Stalbaum referred to. Where are these small rice producers located? I take it from the line of questioning that they are not located in California or Arkansas.

Mr. JAENKE. There are a smaller number, by far, in California or Arkansas, but the large numbers of these are in Louisiana, with Texas having a goodly number. Arkansas has some; California less. We can provide for the record a distribution by States, if you would like that.

Mr. BANDSTRA. Yes, sir; I would appreciate that.

(The information referred to follows:)

Rice: Frequency distribution of number of farms and acreage allotted to such farms in 1963, by States and specified acreage groups ¹

State	RICE															Total
	Under 6 acres	6 to 10.9 acres	11 to 15.9 acres	16 to 20.9 acres	21 to 25.9 acres	26 to 50.9 acres	51 to 75.9 acres	76 to 100.9 acres	101 to 150.9 acres	151 to 200.9 acres	201 to 300.9 acres	301 to 400.9 acres	401 to 500.9 acres	501 to 1,000.9 acres	1,001 acres and over	
Arkansas:																
Number of farms-----	528	317	296	254	182	785	715	559	595	323	272	96	45	47	13	5,027
Acres-----	1,162	2,630	3,929	4,661	4,236	30,674	44,940	49,349	73,216	55,841	66,521	32,956	20,324	30,066	18,504	439,009
California: ²																
Number of farms-----	7	17	20	28	30	231	167	95	178	110	171	85	53	117	45	1,354
Acres-----	23	149	262	507	692	8,642	10,691	8,318	22,448	19,032	43,071	29,230	23,848	80,762	81,895	329,571
Louisiana: ²																
Farm administration area:																
Number of farms-----	772	353	480	407	332	1,050	624	388	521	307	339	137	60	64	25	5,859
Acres-----	567	3,011	6,411	7,435	7,748	38,575	38,869	33,850	64,825	53,585	81,766	47,007	26,662	42,349	51,326	503,986
Producer administration area:																
Number of farms-----	1	---	---	---	1	3	1	2	6	4	12	7	5	9	2	53
Acres-----	5	---	---	---	24	102	75	185	794	708	3,001	2,366	2,198	5,857	3,280	18,595
State total:																
Number of farms-----	773	353	480	407	333	1,053	625	390	527	311	351	144	65	73	27	5,912
Acres-----	572	3,011	6,411	7,435	7,772	38,677	38,944	34,035	65,619	54,293	84,767	49,373	28,860	48,206	54,606	522,581
Texas: ²																
Number of farms-----	9	14	22	22	32	157	142	153	289	203	305	166	82	127	51	1,774
Acres-----	36	122	281	407	747	6,107	9,055	13,473	36,189	35,498	75,006	57,590	36,184	87,087	106,268	464,050
Mississippi:																
Number of farms-----	14	6	7	2	8	28	14	24	70	35	43	21	11	12	1	296
Acres-----	20	45	90	38	183	1,034	913	2,119	8,766	6,112	11,152	6,947	4,981	7,873	1,080	51,353

	11	6	5	5	5	6	10	9	7	7	4	5	1						
Missouri:																			
Number of farms	47	54	70	70	90	136	407	584	616	863	672	1,358	347						
Acres																			
South Carolina: ²																			
Number of farms	3	2	3	3	4	1	3	1	2	2	3	3						1	28
Acres	3	17	42	42	71	25	125	70	180	253	539	753						1,053	3,131
Tennessee: ²																			
Number of farms	1	1	1	1	1			3		1		1							9
Acres	4	8	12	12	20			194		124		203							565
Florida: ²																			
Number of farms							1	1								1			3
Acres							29	53								450			532
Oklahoma:																			
Number of farms											1								1
Acres											164								164
North Carolina:																			
Number of farms	1	1					1												3
Acres	4	6					32												42
Illinois:																			
Number of farms						1													1
Acres						22													22
Arizona																			
U.S. total:																			
Number of farms	1,347	717	834	834	723	593	2,269	1,677	1,230	1,669	990	1,151	513	257	376	138			14,484
Acres	1,871	6,042	11,097	11,097	13,229	13,813	85,727	105,444	108,090	207,478	172,151	282,831	176,443	114,647	253,994	263,407			1,816,264

¹ This summary shows distribution by size of allotted acreage on farms. It does not take into account the fact that in producer allotment States several producer allotments may be assigned to one farm. Therefore, the number of small rice allotments would be substantially larger than shown on this summary.

2 Producer allotment States.

Source: ASCS, PPA Division, Agriculture, Washington.

Mr. BANDSTRA. When we were discussing the wheat program we kept talking about the blend price; that is, the average of what a farmer would receive for that part of his wheat which was under the certificate plan and that which was not. What would the blend price figure be for rice?

Mr. JAENKE. Under the program here, plus the Secretary's announcement of what he would do with this program if it were enacted, the blend price to the largest producers would be \$4.61; in other words, no producer would get less than \$4.61. To a small producer with 500 hundredweights, thereabouts, it obviously would be much larger. It would be in the range of \$5.20, but no producer would get less than \$4.61, no matter how large he would be—everything would be above that level.

Mr. BANDSTRA. How does the \$4.61 to the large producer compare to what he is receiving currently?

Mr. JAENKE. For the 1964 crop the loan was \$4.71; for the 1965 crop it is \$4.50. So it would be 11 cents above the loan value for the crop that is in the ground right now.

Mr. BANDSTRA. Thank you. That is all.

Mr. JONES of Missouri. Are there any further questions?

Mr. Polanco?

Mr. POLANCO. Yes, sir; I want to ask a question. I want to refer briefly to the effect of this bill to the Puerto Rican economy and to the rice consumers of Puerto Rico. Do you know the consumption in Puerto Rico, the per capita consumption in Puerto Rico, Mr. Jaenke?

Mr. JAENKE. I can get the exact figure. It is around 100 to 125 pounds.

Mr. POLANCO. In the fourth paragraph of your statement you state that the reduction in the cost of the program will be some \$50 million.

Mr. JAENKE. Yes, sir.

Mr. POLANCO. Do you know how much Puerto Rico will contribute to this reduction?

Mr. JAENKE. They would not contribute any to the reduction on the export portion of the crop, the Public Law 480 and the dollars that you are referring to there. What it would mean in terms of increased price would be about 3 to 4 cents in Puerto Rico, I believe. I do not have that figure, but it would be in terms of that consumption level times the number of consumers.

Mr. POLANCO. Do you know how much we consume of rice yearly—how many pounds?

Mr. JAENKE. I do not have those figures right here, but we will be happy to provide those for the record.

Mr. POLANCO. Can you supply those for me?

Mr. JAENKE. I will; certainly.

(The information referred to follows:)

Based on rice distribution data, which is subject to some variation because of changes in pipeline supplies, the per capita annual rice consumption in Puerto Rico is estimated to be in the range of 125 to 135 pounds. This consumption rate applied to current population indicates that direct consumption of rice in Puerto Rico probably amounts to some 3.2 to 3.4 million hundredweight annually.

Mr. POLANCO. In regard to the matter of the general approach to this proposition, let us assume that the importation of rice is about 3 tons per million hundredweight, and you say that the increase will

be 4 to 5 cents per pound, that will mean that times \$15 to \$16 million a year—do you think that it is fair to increase the price of the rice to the citizens of the United States and Puerto Rico, especially the poorer people?

Mr. JAENKE. As I indicated, sir, we would hope that the solution to the problem of poverty, whether it be in Puerto Rico or anywhere in the United States or in any of our possessions, would be dealt with and be dealt with properly. The President has inaugurated a program to try to do this. The Department of Agriculture has an existing program to deal with this. We have a direct distribution program in your area which provides very large quantities of rice and higher levels per person than in other parts because of the higher consumption pattern. By the same token we do not believe that in the long run that maintaining cheap rice or cheap food is the solution to low income or poverty problems. And this would apply as well in Puerto Rico as elsewhere.

Mr. POLANCO. Basically, I agree with you in the general context that you have explained, but I am worried if actually we are ready to pay about \$16 million a year more, and that would mean a lot less than—not less than 32 percent of the reduction and I am worried about that, because I think that Puerto Rico's economy cannot afford to pay such a percentage for the general help of rice. Have you considered that in recommending this?

Mr. JAENKE. Yes, sir; we did. And we share your concern about the effect of this program in areas where this is true, where low-income population has been a larger percentage than in other places. But again—and I do not mean to be repetitious—we do not feel that maintaining a current rice level or on that same basis one might justify or argue that it should be lower. We think that this in the long run would not provide a solution to the problem—the economic and development problems in Puerto Rico or elsewhere.

Mr. POLANCO. Do you know of any other area that will contribute so much to this program?

Mr. JAENKE. Well, there are other areas of high consumption. Hawaii is one. Puerto Rico is one. There are some areas in the United States in different geographic areas on the mainland where consumption is higher. This is what makes up this overall average consumption of 7 pounds per capita for the 190 million citizens. Some areas are higher, as you pointed out, than in other areas.

Mr. POLANCO. Thank you. That is all.

Mr. HAGEN of California. Do they not buy the rice from the United States?

Mr. JAENKE. Yes, sir.

Mr. HAGEN of California. Do they not have access to the world market of rice without imports from here?

Mr. JAENKE. No, they do not.

Mr. HAGEN of California. In other words, imports are restricted as to imports into Puerto Rico from the United States—they have to buy our rice; is that correct?

Mr. JAENKE. Yes.

Mr. HAGEN of California. Thank you. That is all.

Mr. JONES of Missouri. Mr. Heimburger, do you have any questions?

Mr. HEIMBURGER. Yes, Mr. Chairman. Thank you. I would just like to review some of your testimony, Mr. Jaenke, to sort of summarize some of the data.

Is my understanding correct that about one-third of the rice produced in the United States is sold in the open market and consumed in the United States?

Mr. JAENKE. A little over one-third—35 to 40 percent, sir.

Mr. HEIMBURGER. So that your figure of allocating the domestic certificates to the rice producers, to the largest rice producers for 35 to 40 percent of their production, would represent the present normal consumption of rice in the United States, including Puerto Rico?

Mr. JAENKE. The present plus recent history; yes, sir.

Mr. HEIMBURGER. That being the case then, the diminishing scale of certificate issuance, based on the size of the production, is not a penalty to the larger grower—they are getting the total amount of the domestic consumption of rice.

Mr. JAENKE. That is true.

Mr. HEIMBURGER. It is a sort of a gift to the smaller producers; is that correct?

Mr. JAENKE. That is correct, sir. And it would come out of Commodity Credit Corporation funds. The extra amount of certificates to the producers would be financed not out of the larger growers or anything else, but would come out of the Commodity Credit Corporation. We would issue extra certificates to them.

Mr. HEIMBURGER. And this would not, in fact, be paid even by the consumers?

Mr. JAENKE. That is correct.

Mr. HEIMBURGER. It would be a direct Government subsidy?

Mr. JAENKE. It is a Government assist to these small producers.

Mr. HEIMBURGER. What does 500 hundredweight represent in terms of acres?

Mr. JAENKE. About 12 acres. It would vary with production levels in different areas of the country. But it would be about 12 acres.

Mr. HEIMBURGER. So that the next 1,000 hundredweight would be another 24 acres?

Mr. JAENKE. Twenty-four, twenty-five.

Mr. HEIMBURGER. Then, of course, the larger producer would get the benefit of the higher rates on the first 500.

Mr. JAENKE. Absolutely. Every producer would get the higher rate on his first 500 hundredweights.

Mr. HEIMBURGER. With respect to the so-called dollar sales abroad, these are made possible by a Government export subsidy?

Mr. JAENKE. Yes, sir; of an average in the last fiscal year for which data is available, it was \$1.60 per hundredweight, rough basis.

Mr. HEIMBURGER. In view of this, Mr. Jaenke, that the production of rice is about three times the amount necessary to meet the market demands in the United States and all of the rice exports are carried out only on the basis of very substantial Government subsidies, either in the dollar sales area or under Public Law 480, I am interested to know what rationalization or justification the Secretary gave for maintaining the acreage allotments and the price support of rice at above the minimum level this year.

Mr. JAENKE. Farm income, sir—farm income. The reduction from \$4.70 to \$4.50 caused quite a bit of unhappiness and disturbance, par-

ticularly in Louisiana, with some cases elsewhere. The rice farmers, just as other farmers and, particularly, the small ones, are in the cost-price squeeze. To make a reduction even from \$4.70 to \$4.50, on the basis of the comments and the protests that we heard in the Department, has made a serious cut in the producer income.

Mr. HEIMBURGER. Even though the production per acre was going up?

Mr. JAENKE. That is correct.

Mr. HEIMBURGER. You are speaking now of the price support level?

Mr. JAENKE. The loan level.

Mr. HEIMBURGER. How about the acreage allotments, Mr. Jaenke—was merely farm income the same reason to keep the acreage allotment high?

Mr. JAENKE. No, sir. I think there would probably be other considerations involved. The basic one was farm income. In the case of the acreage, as I indicated earlier, the first year this was done at the very strong urging of the rice industry—the producers, processors, and others who felt that they had considerable opportunity for dollar sales. And, certainly, Public Law 480.

Mr. HEIMBURGER. With Government subsidies?

Mr. JAENKE. With Government subsidies in the years ahead. Of course, stocks were at relatively low levels at the time, as they continue to be. In addition to that, there were some rather urgent needs for our rice as a part of a Public Law 480 program and foreign aid program in certain areas of the world.

Mr. HEIMBURGER. When was the last time that the national rice acreage allotment was at the minimum?

Mr. JAENKE. It was prior to 1962.

Mr. HEIMBURGER. Prior to 1962?

Mr. JAENKE. It was at the minimum from 1956 through 1961.

Mr. HEIMBURGER. And in spite of the fact that we were producing three times as much rice as we were consuming in the United States, the Secretary found it desirable to increase that acreage allotment in 1962?

Mr. JAENKE. In view of all considerations, he did.

Mr. HEIMBURGER. At which time we produced 66 million bags of rice—I think it is 66 million.

Mr. JAENKE. Hundredweights.

Mr. HEIMBURGER. One hundred-pound bags of rice. Did he continue at the same level in 1963?

Mr. JAENKE. Yes, sir.

Mr. HEIMBURGER. At which time production went up to 70 million bags.

Mr. JAENKE. Yes, sir.

Mr. HEIMBURGER. And he continued it at the same level in 1964?

Mr. JAENKE. Yes, sir. And in 1965.

Mr. HEIMBURGER. And we produced 73 million plus bags. What will we do in 1965?

Mr. JAENKE. We will follow the yield trends and expect the production to be in that range of 73 million bags.

Mr. HEIMBURGER. And the acreage is the same for 1965 as it was for 1964?

Mr. JAENKE. And price supports were reduced 21 cents; yes, sir.

Mr. HEIMBURGER. Thank you, Mr. Jaenke.

Thank you, Mr. Chairman.

Mr. JONES of Missouri. Thank you, Mr. Jaenke.

Mr. JAENKE. Thank you, sir.

Mr. JONES of Missouri. Our next witness that we will hear will be Mr. Harry L. Graham, legislative representative of the National Grange.

Will you come forward, Mr. Graham? We will be glad to hear you now.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, THE NATIONAL GRANGE, WASHINGTON, D.C.

Mr. GRAHAM. Mr. Chairman and members of the committee. The Grange appreciates the opportunity to appear before this committee and discuss title III of H.R. 7097.

We wish that it was possible to find in our discussion of agricultural commodities clear indications of the kind of program that should be adopted, and which would be acceptable to all the people that are involved. In some instances, this is relatively easy, but they are unfortunately very scarce. In most commodity programs and general farm programs, as this committee well knows, the issues are complicated by economic, political, social, and international considerations. This, unfortunately, is the case as we discuss a program for rice.

As the National Grange has testified before members of this committee many times, we believe that a parity price should be paid to farmers for that part of their production which goes directly into human consumption in the primary or domestic market. We believe this is a matter of equity, justice, and a prudent fiscal policy. We also believe that the price should come from the user and not the taxpayer.

May I say here that there are three alternatives that we have. That is, in most of these farm problems.

We have the alternative of a high tax program and a high support program that goes with it.

We have the alternative of a low support program and a low farm income.

And the Grange has tried through the years to find a way to reduce the taxes and to maintain the income. And this is primarily what the purpose of the certificate program in wheat and in the case of rice is for.

We hold on the other hand, that the production that goes into the secondary or export markets should be priced at a level that will enable it to compete on the world market, as far as possible without export subsidies, and to leave the decision as to whether to produce this or not to the producer alone. We believe that this combination of domestic parity and export competitiveness should be the objective of a rice program.

I would add here that this problem of exports and of the continual subsidization of exports and a high level, whether it be for rice or for wheat or for any other American agricultural commodity, is the one thing that is causing us the most trouble in our relationships with the other exporting agricultural countries and the one problem which is most difficult to handle in the current negotiations that are going on in Geneva. This is exactly the reason behind the development of the

variable price levy system in the Common Market. And if we are to continue to subsidize any export crop in any appreciable amount so that the foreign producers can say with truth that they know they can compete with the American producer, but they cannot compete with the American Government, then we are going to be in increasing difficulty in our trade relationships with the major importing countries. And some of these countries are both importing and exporting countries, as in the case of France in wheat. And so we must find a way out of this dilemma or we are going to risk further attrition of our export markets by the use of the protective devices that are being used at the present time so efficiently by the Common Market.

We believe that title III of H.R. 7097 accomplishes these objectives. This is certainly true as far as the operation of the program for the first year is concerned, especially in the light of the testimony that the Secretary would set the value of the domestic certificate at a point that would reflect a parity price.

In our talks with rice producers, we also believe that most of them also are of the opinion that if this program could be continued at present levels of domestic consumption, that it would be acceptable with some minor changes in terms of the discretionary authority which is given to the Department of Agriculture.

The real question is how much the domestic consumption would be reduced by the adoption of this program. About this, there is considerable conjecture, except in the case of the use of rice for the brewing industry, where there are alternate sources of malting grains, especially corn. However, we are not convinced that the producers of a high quality beer, and the users of this rice basically are the manufacturers of a so-called premium beer, that there would be any substantial reduction in this consumption. Whatever reduction there would be, would be a reduction in the use of the domestically priced product.

The average consumer, in our judgment, doesn't even know what a pound of rice costs. Nor is their purchase of rice for the incidental dishes dependent upon the cost of rice. Most of our wives purchase rice because it fits the menu and it's a necessary ingredient in some very fine dishes and combinations of dishes. I have asked a number of people, women, including my own wife, during the last week, how much rice costs, and they frankly have not the faintest idea. They go and buy rice, because they want it in a particular dish, in the particular amount. But, the fact remains, that it is almost an incidental in our diet. Therefore, for those who follow the normal eating patterns of American people, they will probably be relatively little, if any, reduction in the use of rice.

A case is being made for those who use unusual quantities of rice in their diet, these consumers being located primarily in Puerto Rico, Hawaii, southern Mississippi, and Louisiana.

Their levels of consumption are pretty well established by eating patterns and not because rice is any longer a cheap food. It has joined the ranks of beans, which in former periods that some of us can remember, was considered about the cheapest food that was available. This, of course, is no longer true. For those whose eating patterns are traditional and who earned the same level of income that generally prevails in our country, again in our judgment there

would not be a substantial loss of the rice market. There might be considerable griping, but this does not necessarily equate with market loss.

The experience that we had with milk when we get increases in milk prices, there is a good deal of griping. You get a temporary reduction in the use of milk. I have a daughter who lives up in the Bronx, N.Y. There they have the seasonal adjustment in milk prices. Every spring, it goes down a little bit. They forget it. Every fall it goes up again a cent and a half or two cents and everybody gripes. And so she gets busy and uses skim milk for a couple of weeks and finds that is not very happy, and goes back and buys whole milk. There is a good deal of that in our eating products, because most of our people have the purchasing power for food.

The real question is what to do with those who depend on rice and who are impoverished at the same time. This includes a part of Puerto Rico and a small part of Hawaii, because Hawaii in general, is not so impoverished that the purchase of rice would become an impossible burden. In the case of Puerto Rico, it should be possible to make some exception because they are not a State, but rather a Commonwealth. Certainly, we can continue the programs of direct distribution, or expanded food stamp programs for those whose income is insufficient for them to purchase the needed levels of nutrition.

If the major concern for those who are opposing this legislation is for these impoverished people, then a reduction in the amount of certificated wheat could very well be arranged and this could be allowed to be sold at an export level under certain control conditions.

The hard choice which remains before us, therefore, is whether or not the rice producers are going to have a continuation of the present program, with the inevitable cuts in acreage and support which will result from an effort to bring the cost of this program into some kind of reasonable relationship with the cost per producer of other commodity programs, or whether they are going to accept the proposed program where, for at least 1 year, they are assured of about the same income as they have this year and hope that the adjustments that will take place will all have been absorbed by the end of the first year, and that the program will continue about as it is designed in future years.

May I add here that if the Department issues a certificate on the basis that it is for wheat—and I am assuming that they will—that this loss, if there is a loss in the domestic market, would be absorbed by the certificate and, consequently, by the Commodity Credit Corporation, in that first year. And, therefore, the major cost of the adjustment, if there is any—if there is a temporary decline in this year—would be borne still in a transition period by the same people who are bearing the cost at the present time, that is, the taxpayers. This is one way of making the transition from the program we have into the program which they are proposing, without an unnecessary loss of income. I think that the Department has had a pretty good record in terms of what they have proposed, in terms of trying to prevent losses of income. And the rice industry has benefited from their general good will about as much as anybody else. And I think that they recognize that.

Certainly, we cannot let the purchasing ability of the lowest level of our economic groups determine the maximum prices of our agricultural commodities. This is where our major concern comes in our

testimony. This is a welfare program and not a good food pricing problem and the two should not be confused.

If we are to permit the welfare pricing level to be adopted for rice or for wheat which we are considering at this point, then what is to keep us from using this as the determination of pricing for all agricultural products? And if that is true, then we must either have a high support program perpetually or we must have a further impoverished agriculture. This is the major concern that I have as I come before your committee today.

The Grange would suggest that some of the fears of these producers, along with the producers of wheat, would be alleviated by the reduction of the discretionary authority of the Department in terms of the price levels that the certificates should represent. We see no reason why the flexibility of 65 to 100 percent of parity is required, nor justified. We would urge this committee and the Feed Grains Committee both to increase the 65 percent to 85 percent, and therefore, many of the fears of the producers would be removed. This should not be any threat to the budget nor to the programs.

As a matter of judgment, it is the opinion of the National Grange that the producers of rice will inevitably suffer a heavy income loss by the continuation of the present program and they could probably escape this loss by the adoption of the proposed program. Therefore, we would have to support the legislation which is proposed before this committee at the present time.

Thank you.

Mr. JONES of Missouri. Thank you, Mr. Graham. I think that you have brought us a very important part in all of the farm programs in that they have evolved into welfare programs and we cannot get the income for our farmers if we try to price our foods for the lowest income level. I think that we have done a pretty good job through our food stamp program which is being expanded throughout various relief programs to take care of this. I think we have to reach a point sometime where the producer is going to be rewarded for his efforts by a price that is commensurate with the cost of production plus a reasonable profit. I think that you have brought that to us this morning.

Does anyone have any questions that they want to ask Mr. Graham?
Mr. Findley?

Mr. FINDLEY. Mr. Graham, could you tell us how many members of the National Grange grow rice, approximately?

Mr. GRAHAM. I do not know. We have members in Arkansas and California. We have never broken our membership down into commodities. My primary concern was not necessarily rice, but the ramifications that this program had on other commodities.

Mr. FINDLEY. You are speaking as a representative of the organization today?

Mr. GRAHAM. That is correct.

Mr. FINDLEY. You are not speaking so much, however, for the rice segment of your membership.

Mr. GRAHAM. I would point out that our rice policy was adopted with the support and at the urging of the two States that do grow rice.

Mr. FINDLEY. I am curious to know how farm organizations determine their policies. Do you take a poll once in a while among the total

membership—how do you go about it to determine your position on something like this?

Mr. GRAHAM. I cannot speak for other farm organizations, but we have 600 Granges meeting every weekday night of the year on an average and we have some 1,700 county Grange organizations that meet once a month. And then we of course have this go up into the State and into our national meetings, but we have a continual meeting in terms of the Grange in these—on these problems. So that resolutions sometimes come in during the year—sometimes they come in through the regular channels from the subordinates to the county, to the State, and to the National Grange.

Mr. FINDLEY. Yes?

Mr. GRAHAM. But these policies are made at the grassroots level with a great deal more discussion, I think, in terms of the opportunities and the number of meetings that are involved than is generally true in farm organizations.

Mr. FINDLEY. This question was thoroughly discussed throughout the country then?

Mr. GRAHAM. I do not think that we do that—we are more apt in our Grange meetings to discuss the problems that are relative to the area in which the Grange is situated. For instance, in the Northeast they will be more interested in dairy, and in the Midwest in feed and grains, and in Colorado, Wyoming, in wool and wheat. But the Grange in Arkansas and in California would have some interest in rice. And this is where this will come up.

In general, unless there is no basic conflict between different areas, the recommendations of the area that has the commodity that is primarily grown in that area is considered most favorably by the delegate body of the National Grange.

Mr. FINDLEY. Is it your belief, with respect to this program, that it would keep the costs of the rice program to the American citizen at about the present level?

Mr. GRAHAM. Yes. In terms—you described for citizens. In that we transfer costs from the citizen as a taxpayer to the citizen as a consumer.

Mr. FINDLEY. But so far as the total cost is concerned, from the standpoint of the American citizen, he should not expect it to result in any \$40 to \$50 million cut in the cost of the program?

Mr. GRAHAM. No; nor in the case of wheat, either.

Mr. FINDLEY. Correct. Thank you.

Mr. JONES of Missouri. Mr. Gathings?

Mr. GATHINGS. Mr. Graham, you said that you had membership in Arkansas. What is the total membership of the Grange in the State of Arkansas?

Mr. GRAHAM. I do not know. I do not work with the membership. I think that it is around 2,300—something like that.

Mr. GATHINGS. Where are they located?

Mr. GRAHAM. And I do not know that one, either.

Mr. GATHINGS. You said that you were not the representative of the ricegrowers.

Mr. GRAHAM. That is correct. So it is relative again. And it is immaterial at this point.

Mr. GATHINGS. Thank you.

Mr. JONES of Missouri. Are there any other questions of Mr. Graham?

If not, thank you very much, Mr. Graham.

Mr. GRAHAM. Thank you.

Mr. JONES of Missouri. We will next hear from Mr. William L. McKinley, secretary-general counsel of the Gerber Products Co., of Freemont, Mich., representing the National Cannery Association.

We will be glad to hear from you now, Mr. McKinley.

STATEMENT OF WILLIAM L. MCKINLEY, SECRETARY-GENERAL COUNSEL, GERBER PRODUCTS CO., FREEMONT, MICH.; ON BEHALF OF THE NATIONAL CANNERS ASSOCIATION; ACCOMPANIED BY WILLIAM GRAEME, GERBER PRODUCTS CO.

Mr. MCKINLEY. Mr. Chairman and members of the subcommittee, my name is William L. McKinley. I am secretary-general counsel of Gerber Products Co., and our general offices are at Freemont, Mich. My appearance today is on behalf of the National Cannery Association as well as the Gerber Co.

The National Cannery Association is a nonprofit trade association of about 600 members whose annual production accounts for over 85 percent of the total volume of canned vegetables, fruits, juices, fish, meat, and specialty products, including baby foods and soups. The Gerber Co. is a packer of a complete line of baby foods. Rice is used in baby foods, both strained for small babies and in the junior size product. It also is prepared as a dry cereal for babies. Rice is an ingredient in such other canned products as a wide variety of soups, chicken and rice dinners, crabmeat and rice, spanish rice, spanish rice and beef, chicken fried rice, other oriental food preparations, and Mexican rice.

While we do not have figures as to total usage in canned foods, it is estimated that between 10 and 15 percent of the rice consumed in the United States is used by food processors. Our company alone uses rice in 20 of its items.

While our opposition to H.R. 7097 is basically to Title III: Rice, we wish to point out that the general effect of Title I: Wheat, is also, we believe, an unwise and unwarranted added consumer tax. In substance as we read title III, the purpose is to place upon the consumer a hidden tax of some figures to be determined by the Secretary of Agriculture. The most reliable reports which we have been able to gather indicate that it will be approximately 4 to 6 cents per pound. This is what is anticipated in the first year and as shown by the experience with wheat this may be only the beginning.

It is inconceivable to me, personally, that such a proposal should ever be placed before the Congress of the United States. I read of proposed reduction or elimination of various excise taxes and I would not argue against such action. At the same time, the poverty program has gained momentum. In many States foods are exempt from sales tax, and in my own State there is now a proposal before the legislature to eliminate such tax on the basic premise that a consumer should not be so subjected. Yet here we find the proposal that hidden taxes on foods are acceptable. It is also of interest that the net budget saving is something less than \$200 million—as indicated here today is

something less than \$50 million—while the proposed reduction in excise taxes alone is in the billions.

Before going further I would like to make it clear that neither the association nor my company is arguing the relative merits of support to ricegrowers. We do not have sufficient factual background to make any statement in this record. What we are arguing is the passing on to consumers of the costs of the farm subsidy and a portion of the foreign aid program. It is our belief that the problem, if any, was largely the result of encouragement of rice production as a matter of public policy. Extra incentives were offered for the growing of rice so that we could meet some of our political and humanitarian requirements.

We are for reductions in the national budget and commend all actions which realistically result in such reduction. However, we have here a situation where there is in fact only a paper reduction. The amount spent will still be controlled by the Department of Agriculture but not through its budget. Rather, it controls such expenditure by determining how much it needs and through the subterfuge of certificates places a tax on consumers—all this without the normal budget controls through approved appropriations. This, it seems, is an example of Congress being asked to give up much of its direct control. Further, if it is not a budget item, it is probable that it will be found easier to continually move the program upward and outward.

Why do we call this a hidden consumer tax? Won't our members merely absorb the cost and, of course, pay less Federal tax? This may or may not be true on some items where rice is merely a minor component, but in the long run the consumer must absorb such costs. However, where rice is an important ingredient, manufacturers cannot even temporarily absorb such costs.

We are told that we are talking about an expenditure of only 35 cents per person per year and that this is insignificant even in the poverty areas. Usage figures indicate clearly that national averages are inappropriate. Rice is consumed in very substantial quantities in many areas and these areas are predominantly the ones where incomes are lowest. Fifty dollars a year for an average family of six in Puerto Rico would be a substantial sum.

I would like to digress for a moment to mention one use of rice by our company. During the very late forties, we received many requests from practicing pediatricians for a rice cereal specifically prepared for infants. Our infant cereals are a ready-to-use dry cereal in a very fine flake form. In order to serve the product, all a mother need do is add milk and stir. Rice cereal, it was believed, would answer some problems of allergies. This is exemplified by the following quotation from a text published by Charles C. Thomas, "Allergy in Childhood," pages 464-465, by Jerome Claser, M.D.:

In my experience, clinical allergy to cereal, except wheat, in infants and young children, has not been very common. It is important to remember, however, that all cereal grains: wheat, rye, rice, oat, barley, and corn, are all genetically related in that they are all modified grass seeds and the person exclusively sensitive to one may be, though not necessarily, sensitive to all. It is highly probable that the kind of clinical sensitivity to cereal grains will depend to a degree upon the part of the world in which the patient lives. In a temperate zone, wheat is the staple cereal; in colder climates, as in Scandinavia, rye products are best liked; in Mexico, corn, and in tropical and subtropical countries,

rice. In my practice, sensitivity to rice and barley rarely occurs. More frequently is sensitivity to corn and oat and most frequently to wheat and rye. Slobody, Untracht, and Merzmark found no children sensitive to cooked rice. They assumed that the heating of rice and the presence of moisture renders it nonallergenic, as suggested by the work of Ratner and Gruehl * * *.

Our own company has experienced a large and growing demand for rice cereal and we attribute this primarily to specification by the physician. Rice has become the preferred "starting" cereal and is very often prescribed as such. The pediatrician seems to prefer starting the infant on rice cereal in order to be on the safe side for an allergic baby may easily suffer nutritionally because of such allergy.

Therefore, our rice cereal was formulated without the use of any other grains. Rice is already the most expensive of the grain cereals which we use. I would comment that we have heard witnesses say that this is a very low-cost food. It may be a very low-cost food, but I would comment not in comparison to the other products with which it competes in the starch line. It would be impossible to maintain the present price with the cost increases resulting from title III.

Therefore we have the situation where a food prescribed or recommended for young infants is by virtue of this bill increased in price so as to result in reluctance to buy or conversely to buy because it is for the baby with resulting decrease in funds available to purchase other requirements for the family. This is as true in the poverty areas as in any other areas of the country.

It is, of course, true that the years for childbearing are generally the same period when income is lowest. The 1960 census revealed a substantially higher rate of births in families with lower incomes.

I would also like to comment in relation to the use of rice by the baby food industry that we now estimate that since 1950 the baby food industry has added a use of 20 million pounds of rice per year. This all new uses since 1950.

We object to placing on specific consumers the cost of food for peace and farm subsidies. We believe that these should be and rightly have been classified as total expenses of Government.

We also believe that this program cannot work and the normal result of increased price would be to result in less use of rice thus leading to a higher certificate cost ending in even less use, et cetera. To attempt to reduce foreign aid cost by higher domestic price we believe is shortsighted and further that it is inherently wrong to pay for such program by taxing domestically a commodity to be given away. We further object to the basic results of this or any other similar legislation that requires a hidden tax such that the manufacturer or retailer will be blamed for programs over which they have no say or control.

Mr. JONES of Missouri. Thank you.

How much rice do you estimate is used in the canning industry?

Mr. McKINLEY. In the canning industry we really cannot tie it up. Approximately 10 to 15 percent of all consumed is used in food other than nonbeverage, but we cannot tie it any closer than that. And baby foods, alone, estimate approximately 20 million pounds. That is annually.

Mr. JONES of Missouri. Are there any other questions?

Mr. HAGEN of California. What are the duties on rice that come into this country?

Mr. McKINLEY. I am sorry that I am not that familiar with it. I understand that processed cereals can come into this country at approximately a 5-percent rate.

Mr. HAGEN of California. What was the duty on those coming in?

Mr. McKINLEY. We have not had to look into that previously. I am sure that companies will look into it in the future. I believe that on rice it is something like 2.5 cents a pound, but I do not know the facts.

Mr. HAGEN of California. Are there quotas on rice coming into this country, do you know—on rough rice, I mean, and milled rice?

Mr. McKINLEY. I do not know. I do not believe that there are quotas as such.

Mr. HAGEN of California. That is all.

Mr. JONES of Missouri. Mr. Gathings.

Mr. GATHINGS. There are two points in particular that are most impressive, as I see it. One is that in so many States of the Union they exempt food from sales tax. And here we are proposing a consumer's tax, so to speak.

The other point that was brought out so well is that the child-bearing age of the people happens to be those years where the income is the smallest.

Thank you.

Mr. JONES of Missouri. Mr. Findley.

Mr. FINDLEY. I, too, want to commend you for an excellent statement.

We are talking about taking off Federal excise taxes amounting to about 10 percent of the value of the products. What is the percentage value of the proposed certificate on rice compared with the purchase price of the rice that you process?

Mr. McKINLEY. I am not sure that I understand the question.

Mr. FINDLEY. How much will the rice cost under this program?

Mr. McKINLEY. In all cases I think that our association will not be directly involved with the purchase of the rice and the certificates. We will be buying from the millers.

Mr. FINDLEY. What would it cost the millers; do you have any idea?

Mr. McKINLEY. I do not know. The effect to us in the processing industry is an increased cost somewhere from—depending upon the type of rice used—anywhere from 7 to approximately 35 percent increase in our cost of rice under this program.

Mr. FINDLEY. Is not this certificate plan for rice a rather peculiar way to start a war on poverty?

Mr. McKINLEY. Yes, sir; this made it a little difficult for me to reconcile the program.

Mr. FINDLEY. Thank you.

Mr. JONES of Missouri. Mr. Bandstra.

Mr. BANDSTRA. Mr. McKinley, my understanding is that we have an excise tax on tires, for example, that goes into a separate trust fund, out of which we finance our Interstate Highway System, the idea being that the people who use the roads the most should be paying for part of the costs. I take it that you are opposed to that, too?

Mr. McKINLEY. I would not necessarily be opposed to that. I think that this is entirely different. This is not a price established for rice on the free and open market. This is a price established for rice by the Secretary of Agriculture.

Mr. BANDSTRA. I am only using your example. You referred to it as an excise tax. I had a little difficulty seeing the difference between the two. It amounts to the same thing. The person buying the tires pays an additional price which goes into a fund for the construction of Interstate Highways. It amounts to the very same thing, does it not?

Mr. McKINLEY. Not in my way of thinking. I feel that it works entirely different where you add a tax on a hit or miss basis for a particular product, as compared to a general use of the roads. But that is it.

Mr. BANDSTRA. Thank you.

Mr. JONES of Missouri. Are there any other questions? If not, thank you very much, Mr. McKinley.

We will next hear from Mr. Reuben Johnson of the National Farmers Union. You have some associates who want to appear with you on the stand. If you will come up we will hear from you.

Do you want to introduce the gentlemen who are with you and, also, give them an opportunity to file statements, if they so desire?

STATEMENT OF REUBEN JOHNSON, NATIONAL FARMERS UNION

Mr. REUBEN JOHNSON. Mr. Chairman and members of the subcommittee, we do not have a prepared statement. Our statements will be extemporaneous. I would like to introduce the people at the table, after which I would like to call on them individually, for whatever brief comments they would like to make.

We have, first, Mr. Lewis J. Johnson of Little Rock, Ark., a member of the board of directors of the National Farmers Union and president of the Arkansas Farmers Union who will be our lead witness.

We have Mr. Tom Henderson, a ricegrower from El Campo, Tex. We have Mr. R. J. Strnadel, from El Campo, Tex., who is a chairman of a county ASCSA Committee and, also, a rice farmer. We have Mr. James B. Harvell, Angleton, Tex.; Mr. Melvin C. Martin, Alvin, Tex.; Mr. Donald Meek, Victoria, Tex.; and Mr. Milton Thomas, Beedeville, Ark., who is a member of the board of directors of the Arkansas Farmers Union. They are all accompanying Mr. "Red" Johnson.

I would like to call on Mr. "Red" Johnson.

Mr. JONES of Missouri. We have had Mr. Johnson here before and we are pleased to have you here again, and the other gentlemen, and if you will follow along with Mr. Johnson, so that we can avoid as much repetition as possible, I think it will be helpful. I think you appreciate our problem.

STATEMENT OF LEWIS J. JOHNSON, PRESIDENT, ARKANSAS FARMERS UNION, LITTLE ROCK, ARK.

Mr. LEWIS JOHNSON. Mr. Chairman and members of the subcommittee, I am delighted to be here before this committee again. I do not know what the farmers would do if they did not have you to come before for redress.

Briefly, let me read to you the program that was adopted by the Arkansas Farmers Union, and by the National Farmers Union on rice. It is very brief. It states:

We endorse the present program for rice which is an excellent example of partnership of producers with their Government to protect their prices and income.

That was developed by a group of rice farmers, our members in Arkansas, and in the national, who developed it.

Arkansas has 5,027 rice farmers, Mr. Gathings, with a total of 439,009.9 acres and it ranges all the way from 6 acres to 1,000 acres in the size of farms.

I want to follow what our people—our farm people in Arkansas said at their annual convention which was the 59th convention of last August. Let us leave the rice program as it is.

This new program that has come up on us all of a sudden—we even have not had time to look at it good—and I doubt that will all of these formulas that they have in it, that we would even understand it if we had time to look at it.

We feel as rice producers that we have been wrongly criticized. We have done a wonderful job of production. They are producing a national food. We think it is just as important as your national defense. Here we are on the verge of a complete outbreak of wars all over the world. Rice is one of the most important foods that we could be producing. And it seems to us right now that instead of talking about saving the Government \$20 million, which is pure supposition—there are no plain concrete facts as we see it—that they ought to say to the rice producers and growers of this country, “boys, grow some more rice so that we will have an adequate amount on hand if this war does spread, so that we can feed our neighbors and ourselves and be better prepared.”

It is a little bit embarrassing and I think false propaganda, when the administration says that every acre of rice that we grow in the country, that the Government subsidizes it at \$100 per acre. That is unfair, Mr. Gathings, to make a statement like that, and that is what they have stated, that the Government is paying \$100 an acre. People assume that it goes to the producer, to the farmer, you and I know that just is not so.

So we feel like this whole program is uncalled for. It is untimely. It has not been given consideration. I do not know of anybody who helped the administration draw up this program except the budget boys and I do not know them.

Our position in Arkansas is that what we do not understand we are against. Our folk have voted for a supply-management program which has proven good in the past. We do not believe that we have an oversupply on hand now, Mr. Gathings.

You remember several years ago we had 45 million hundredweights to 50 million hundredweights on hand and we had a problem. We solved that problem. The farmers, and the growers themselves, did that by reducing their production.

So we want to say to you members here, you know all of the detailed facts about this program, but for goodness sake, do not take it out on the ricegrowers. Let us have our program as it is.

I would like Mr. Milton Thomas, who is one of my board members, who grows 125 acres of rice, to make a statement or to answer any questions that you would like to ask him.

Mr. JONES of Missouri. We will be glad to hear from you, sir.

STATEMENT OF MILTON THOMAS, BEEDEVILLE, ARK.

Mr. THOMAS. Mr. Chairman and members of the subcommittee, at the request of the Chair, I would like to make my statement brief. I would like to say that Mr. Johnson has said pretty well what our thinking is. There is not much that I could add to it except to say that we feel like this program that we have is not as bad as we have been led to think. We feel that the new program would not improve upon what we have. If we need a new program, we feel like it should be built within the framework of our present program, rather than going into a completely new and complicated program such as it seems this new program is.

I believe that is all I have to say.

Mr. JONES of Missouri. Thank you very much. Do you have any comments to make, Mr. Henderson?

STATEMENT OF TOM HENDERSON, EL CAMPO, TEX.

Mr. HENDERSON. Mr. Chairman and members of the subcommittee, I am a rice farmer from Texas. I have made my own way up. I did not need anybody else to pay for it. I appreciate the opportunity of appearing before this committee today in regard to this rice bill.

I got a copy of the bill about 3 days ago. I have not had time to read it and digest it and, as Mr. Johnson said, I do not know if I would understand it if I did have the time to read it. I read through it. I noticed that it is full of assumptions. It is pretty hard to do anything on assumptions. It seems to me that it is full of assumptions. For instance, you take the administration of the rice bill, which has a poundage quota. The bill provides for less than 60 million hundred-weight. We divide this by the projected yield, and if we do divide it by the projected yield we would get our acreage allotment. On the basis of the 1964 yields, this would mean about 1,500,000 acres. That is 318,000 acres less than we had in 1964. It is, also, 152,000 acres less than the minimum.

We would cut our income \$50 million off of the \$350 million income of last year. Well, it is pretty hard to make a living farming right now at the prices that we get for the commodity that we have to sell. So that if we are going to cut the income off from what we are getting now, I do not know what we are going to get doing that.

It is true that maybe Mr. Freeman would not like to cut it to the minimum; that is, Secretary Freeman, but somebody else might take Secretary Freeman's place and he might. So we are facing a rather critical situation as rice farmers.

I am speaking of the rice farmer, because I am a rice farmer. I do not know what determines whether one is a small or a large farmer, but I guess I am a farmer in the middle class because I do farm somewhere in the neighborhood of 1,000 acres. I, therefore, would probably fall into the middle class as a farmer.

We do think as farmers that it is a serious situation, the two-price certificate program. We think it would hurt us considerably.

That is about all I have to say. I want you to know that I appreciate the opportunity of having had the opportunity to say this.

Mr. JONES of Missouri. Thank you very much.

Mr. R. J. Strnadel, of El Campo, Tex., we will be glad to hear from you now.

STATEMENT OF R. J. STRNADEL, EL CAMPO, TEX.

Mr. STRNADEL. Mr. Chairman and members of the subcommittee, I would like to speak for myself as a rice farmer. I came down here on my own.

In talking about this situation, in talking to the other rice farmers to get their views on the program, why, they all seemed to be satisfied with the present program. It has been adopted. They have gotten used to it. And now they come up with another program—a new program for the next 2 years. And by the time we get used to that one, why, they will come up with another one.

So I would suggest that my feeling of the rice farmer is that we should keep the present program rather than to adopt this new program, even if we have to take a minor cut in allotments.

As a chairman, and as a member of the county committee for the last 6 years, I know that it would be very expensive for administration to administer this new program from the Washington level down to the county level. So more or less I do not think it will save the taxpayers any money. It would just be shifted in a different direction.

Thank you.

Mr. JONES of Missouri. We will next hear from Mr. Donald Meek, of Victoria, Tex.

STATEMENT OF DONALD MEEK, VICTORIA, TEX.

Mr. MEEK. Mr. Chairman and members of the subcommittee, I am Donald Meek. I am a rice producer and a producer only. What little I know about this is that I am against this. I think that we need to go at it a little slower.

I think that the Department of Agriculture should contact the rice producers and the other rice interests and try to work out and get a better program. Thank you.

Mr. JONES of Missouri. Thank you. I believe we next have Mr. Harvell. We will be glad to hear from you now.

STATEMENT OF JAMES B. HARVELL, ANGLETON, TEX.

Mr. HARVELL. Mr. Chairman and members of the subcommittee, I manage 25 farms. They express their desire to take out title III from the bill completely.

The only thing that I would have to say would be the repetition of what Mr. Johnson has already stated.

I do appreciate the opportunity to be here. Thank you.

Mr. JONES of Missouri. Now, we will hear from Mr. Martin.

STATEMENT OF MELVIN C. MARTIN, ALVIN, TEX.

Mr. MARTIN. Mr. Chairman and members of the subcommittee, I am Melvin C. Martin, a rice grower from Alvin, Tex. I am here representing the Alvin Rice and Agricultural Co-op.

We would like to have title III removed from this program. We are more satisfied with the present program that we have, than with what these provisions would call for in title III. I am here to ask you to remove it.

Thank you.

Mr. JONES of Missouri. Thank you. The only comment I would like to make—and I think that this should be made here—is that you say that most all of you agree that you want title III removed and to retain the present law.

The statement that Mr. Jaenke gave on behalf of the Secretary this morning, did point this out. I questioned him about it. Within the existing law we could cut costs by reducing price supports and acreage allotments about 10 percent. I think that you should go into this with your eyes open. I think that while it may not have been intended that way, I think that we are put on notice taht this would be in line with trying to do what the administration has asked us to do in the cutting of costs. So I think that you should keep that statement in mind as you think about this.

Are there any questions?

Mr. HAGEN of California. Mr. Thomas, you have 125 acres of rice?

Mr. THOMAS. Yes, sir.

Mr. HAGEN of California. Is there any portion of your harvesting that is not mechanized in your operation?

Mr. THOMAS. Yes, sir, to a certain extent. What do you mean?

Mr. HAGEN of California. You harvest with machines?

Mr. THOMAS. Yes.

Mr. HAGEN of California. You plant with machines?

Mr. THOMAS. Yes, sir.

Mr. HAGEN of California. You till the land with machines?

Mr. THOMAS. Yes, sir.

Mr. HAGEN of California. You put out the fertilizer with a machine?

Mr. THOMAS. We do not till with a machine. We flood it with water. Of course, it takes a certain amount of man labor to do that work.

Mr. HAGEN of California. How much extra help do you use in raising the 125-acre production?

Mr. THOMAS. How much extra help?

Mr. HAGEN of California. Other than your own family?

Mr. THOMAS. I use about two full-time hands.

Mr. HAGEN of California. What is your yield per acre?

Mr. THOMAS. About now, it goes in terms of hundredweight that we grow by bushels—it would be about 80 bushels.

Mr. HAGEN of California. How many hundredweight would that be?

Mr. THOMAS. Well, approximately 3,500 hundredweight.

Mr. HAGEN of California. Per acre?

Mr. THOMAS. Yes, sir.

Mr. HAGEN of California. 3,500 hundredweight per acre?

Mr. THOMAS. Yes, sir.

Mr. HAGEN of California. You are a typical rice producer in your area?

Mr. THOMAS. I am like this gentleman from Texas—I believe that I would, probably, be in the lower middle size.

Mr. HAGEN of California. Your yield is high.

Mr. THOMAS. The State average is about 3,600 hundredweight, I believe.

Mr. HAGEN of California. Do you belong to a co-op?

Mr. THOMAS. Pardon?

Mr. HAGEN of California. Do you belong to a co-op?

Mr. THOMAS. No, sir.

Mr. HAGEN of California. Does the co-op make money storing the rice?

Mr. MARTIN. To store the rice—that is not the business of the co-op.

Mr. HAGEN of California. You do store rice, though?

Mr. MARTIN. No, sir, I am representing a group of individual farmers who have their own farm storage.

Mr. HAGEN of California. You get paid for that by the Government?

Mr. MARTIN. No, sir, this is our own installation. We have these built. And when we combine our rice, we hold this until it is time that we can get a fair return. At the time we harvest, we sell.

Mr. HAGEN of California. Does the Commodity Credit Corporation acquire title to any of it and store it for you at a price; does it?

Mr. MARTIN. Sir?

Mr. HAGEN of California. Does not the Commodity Credit Corporation acquire title to it and store it for you?

Mr. MARTIN. No, sir. If you put it under the loan program, yes, sir.

Mr. HAGEN of California. Some members do, do they not?

Mr. MARTIN. Sometimes we do put it in the loan program. There are times that we do not.

Mr. HAGEN of California. When you do, the Government pays the storage, is that not correct?

Mr. MARTIN. They pay for the storage? No, sir, the Government gives you the loan, prior to charging you 3.5 percent interest. All of the rice that I have ever put into the Government's program has been sold to the mills before the takeover date for the Commodity Credit Corporation to take it over.

Mr. HAGEN of California. Thank you.

Mr. MARTIN. I repaid the loan along with the interest that they charged.

Mr. JONES of Missouri. Are there any other questions?

Mr. FINDLEY. I am glad that this farmers' union group is taking a negative position on title III, which I presume, from what Mr. Johnson said, is the attitude of the National Farmers Union organization. What puzzles me is why the organization would take the position that a certain program is bad for rice but good for wheat. Would any of you like to comment on that? If so, I would appreciate it.

Mr. REUBEN JOHNSON. I would like to comment on that, Mr. Chairman. I think that the record should be clear, at this point, that the National Farmers Union has never supported the so-called two-price system of the domestic parity program for wheat. We got caught in

a situation where we did not have much choice but to go to a certain device, but if you will look back, you will find in the record of the hearings previously that we have never supported a two-price plan for any commodity.

Mr. FINDLEY. Am I mistaken, did you not support the wheat-cotton bill that was up for consideration last year?

Mr. REUBEN JOHNSON. We did. We did. We supported it finally, and we were left no choice—the certificate program for wheat was that—we were dragged kicking and screaming into that position.

Mr. FINDLEY. You supported the certificate plan for wheat in order to get the cotton part passed?

Mr. REUBEN JOHNSON. That was in order to have a program for wheat, period. We do not admit that the attitude of the rice producers in supporting the supply-management program that has been offered them in the referendum on a number of occasions anywhere near parallels the situation that we had in wheat a few years ago.

Mr. FINDLEY. Thank you.

Mr. JONES of Missouri. Mr. Hagen.

Mr. HAGEN of California. I want to clear something up.

Mr. Thomas, you said that you produced 3,500 hundredweight per acre.

Mr. THOMAS. Thirty-five hundredweight.

Mr. HAGEN of California. I get it. Thank you.

Mr. JONES of Missouri. Are there any other questions? If not, we thank you very much gentlemen.

We are at a point now where I think we will have to stop for lunch. We only have one other witness on our scheduled list for today. However, I would like to ask whether you could come back this afternoon at 1:30 o'clock, when we will resume the hearing? We will go down this list of those that we have on for Wednesday, and if there are any of those who would like to present their statements, we will hear them today. That is, so far as we can.

We will now recess until 1:30 this afternoon.

(Whereupon, the committee recessed at 12:35 p.m. to reconvene at 1:30 p.m. the same date.)

AFTERNOON SESSION

Mr. JONES of Missouri. The subcommittee will come to order.

Our first witness will be M. E. Leahy, executive vice president of the Farmers Rice Cooperative, San Francisco, Calif.

We are glad to have you here and will be glad to hear you now. Do you have a prepared statement?

Mr. LEAHY. No; I do not. I would like the liberty of presenting one after I finish my testimony if that is possible.

Mr. JONES of Missouri. That will be all right.

STATEMENT OF M. E. LEAHY, EXECUTIVE VICE PRESIDENT, FARMERS RICE COOPERATIVE, SAN FRANCISCO, CALIF.

Mr. LEAHY. Mr. Chairman and members of the subcommittee, I appreciate your courtesy in putting me on this morning in view of my request that I have to leave town. I am vice president of a co-op known as the Farmers Rice Growers Cooperative which is a wholly

owned cooperative owned by grower-producers in California devoted to the production, drying, storage, sales, and distribution of rice.

This cooperative represents over 600 growers and has substantial facilities both in California and in Puerto Rico. We have spent a considerable amount of time and effort in developing our domestic market sales and this to us is a very important point that I would like to impress on the committee.

California is unique in the consideration of this problem because we have, as has been stated, by Congressman Hagen—it was intimated—that we sell 60 percent of our production in the domestic market and only 40 percent in export.

In Mr. Jaenke's testimony this morning, you heard the proposal that the so-called high support for domestic allotment would be somewhere between 35 and 40 percent, so that by taking a natural average, in a sense, the California producer is losing his share of the high production market. I cite this, not as criticism of the bill, but simply as something peculiar in the bill that arises by reason of an effort to arrive at a national domestic allotment and then to prorate it strictly on a production basis without consideration of the amount of rice that a particular area is selling into the domestic market.

Our two big customers, if you want to call them such—and I think that this is a proper term in this connotation—are Puerto Rico and Hawaii.

For many years, as all of you know, Hawaii was not a State it was a territory. And, of course, Puerto Rico was still not in the same category as a State although very closely allied. Both of them, however, over a period of years have never qualified for any subsidy or any of our so-called AID programs. They have always been treated in the same light as we would sell them in the continental United States. That is still true today.

Puerto Rico buys the same as an American buyer would buy in the United States, as does Hawaii, which of course is now a part of the United States.

We have spent a great deal of time, and when I say "we" I am not referring only to our own organization but to the entire California rice industry in the development of these markets.

We grow primarily what is known as a short grain or a medium grain rice as distinguished from a long grain which many of you see on your tables in the United States. We do not grow long grain. The climate does not lend itself to that in California. We grow a shorter grain which is primarily the desired grain of the Puerto Ricans and the Japanese and those of Japanese origin. That is why we have found over a long period of time a great acceptance in these two areas.

We have spent millions of dollars, notably in Puerto Rico, because we are doing something there that we are not doing in Hawaii, in that we semiprocess rice in California and we ship it down there, not completely milled, and then we are milling it there, polishing it and adding the vitamins that are required there by law, and then selling it in packages. This has become a very large part of our business.

This bill provides two important things and you could eliminate the rest of the bill and get down to the two basic concepts:

One, the theory that we want to do something. I am speaking now of the proponents of the bill. We want to do something that will not

reduce the income to the farmer. And at the same time we want to save \$40 or \$50 million in the cost of the farm program. Now, this is a very unique accomplishment if it can be done. But I think, as has been observed, someone is going to have to pay that \$40 or \$50 million.

I do not think that there is any secret—and it was stated here by Mr. Jaenke and it has been stated in informal conversations—that the concept of this bill is that this \$40 or \$50 million be passed down to the consumer. Now the way that is done is this: When a grower at the start of the season, the grower will receive a determination of his share of the so-called height allotment or domestic market and he will be given a certificate which will have a fixed value. They are talking now in terms of \$2.90 per certificate. When he finishes his harvest and he satisfies the county committee that he has lived within his acreage allotment, he will take that certificate and he will go and get money for it from the county committee. Now at that point the Government has paid out \$2.90 for a certificate.

Now the man is in the position where he has received a part of his income and he must receive the balance of it. So he follows the normal channels. He is in a cooperative. He delivers the rice to them. If he sells commercially, he sells to a miller. And at that point the rice moves in normal negotiations between the grower and miller at a price which is arrived at. At that point in the acquisition of the rice by the processor, he has to keep in mind that whatever he pays for that rice he is going to have to buy a certificate for all of that rice—all of it including the part that has the \$2.90 tag onto it, when he knows it. So 100 percent of what the processor requires, will require him to go to the Government and say: "I have acquired 100 bags, I want to buy certificates to the equivalent of 100 bags." He has milled it. He has this investment in the certificates. Theoretically, the Government now has received some of this money back, that they paid to the grower in the first place.

Now he has to decide where he is going to sell it. If he sells it into the domestic market, the theory of the thing is that he must add the \$2.90 onto the price. If he sells it in export, and he does not sell any of it in the domestic market, he gets a credit—he gets a rebate of \$2.90, so that the only way that the Government recaptures its money, is by having the processor process it, and resell it into the domestic market. They get nothing back if it goes into export.

Now we get around to the California processor, who has followed this procedure. He has acquired the rice. He has milled it. He has paid for the certificate and I include the cooperatives. They have to follow the same procedure. And 85 percent of the rice in California is handled through cooperatives, but the procedure is precisely the same.

Now, they are going to sell on the same pattern. I say that they are going to follow the same pattern in selling that they did historically. They are going to move 60 percent of that, let us say, into the domestic market. That means Puerto Rico and Honolulu to them. And to a limited extent, New York or some other area, but basically, these are our markets. These are our bread and butter, our volume markets, and are markets that have been there for many, many years.

This means that if we would take today's price where we sell rice on a mill basis, after it is milled, we sell it somewhere between 10 and

10½ cents, free on board, mills. This means that we are going to follow, using the Government's own statistics, that this will increase the price of the rice 4 to 6 cents per pound. This means that on a 100-pound bag, \$4 to \$6. So, instead of the price being to the Puerto Ricans before it even gets over there to be sold in the retail market, he has a price tag on it, if we are going to get our money back that we have paid the Government for the processing certificate—he has a tag on it of another 4 to 6 cents, which means that we have \$1.15 or \$1.16 per 100 pounds of rice, milled, before packaging costs are added in Puerto Rico.

I cannot predict what is going to happen, but I could certainly, rely on what has been our experience and, that is, that shortly after the Korean war, when the price of rice in Puerto Rico reached around \$12.50 to \$13, because of the shortage of rice, we were faced with a price ceiling over there, in the territory, and we were told that we would have to reduce the price, irrespective of the fact that we did not have a lot of rice, and we were having difficulty supplying it and that \$13 was too high, far too high for the Puerto Rican consumers. And this was not so long ago.

Now, we are talking about rice somewhere at \$1.15 to \$1.16. I do not know just where it would be. If you would add all of the costs of distribution and all of the others that are involved at this end.

The same thing is true in Honolulu.

And while both of these areas have made a very favorable economic improvement in the last few years, they still cannot absorb that kind of an increase, because it goes without saying that these people are high, three-times-a-day consumers of rice. You heard that statement this morning and I think it is admitted that the average per capita consumption is 7 pounds per adult in the United States and over there in both of those areas, it is somewhere around 125 or 130 pounds per capita. To them, rice is a basic food, like to us, it may be meat or bread or something else.

We feel that what will probably happen is that we will continue to sell some rice and we will have to pass this along, because if we are cooperatives we still have to face a return to our growers, otherwise, it does not pay us to mill the rice and it would be better to put it under supports, which is a very undesirable thing.

We will face reducing sales eventually, the evil of this is that, eventually, I am satisfied in my own mind that rice will start to back up and by backing up, I mean that the processor will not process it. He may not even acquire it because he cannot get rid of it. So that we get it back into Commodity Credit Corporation if possible. We get back into surpluses and we get back into the various things that surpluses bring about which are acreage reductions.

I say that it is not intellectually honest to make the statement that you can keep the farmer's income the same and acquire this money back to some other source because, essentially, if this does not work no one knows up to this point—no one has brought up that point—if it does not work it goes back to the Government under support, that is, if it does not work, and this creates the same problem that we spent years around here trying to diminish, that is, Government purchases. And rice, I think even the Department will agree has done an outstanding job. So I say that in the long run this will be more costly to the Government.

I listened this morning with some interest. If I understood Mr. Jaenke's statement correctly—I checked it with his written statement later, and I think this is accurate—he said that for the small producer they want to do something for the small man. This is going to be a little dividend, something above and beyond. What does that mean? That means simply this, that means that after the determination of the national allotment for the domestic certificate that they are not going to assess those—they are not going to take those fellow's certificates out of there, but they will give them an extra certificate, a dividend. What will that mean? That will mean that they will issue more certificates than they think is necessary to fill the domestic market.

If their determination of the figure is correct, they have created, therefore, more costs to the Government. So you would, certainly, have to add what some people say is about \$8 million in terms of what they are attempting to do for the small producer above and beyond the domestic allotment. These are not my figures. I do not support them, but I think that they should be checked. It is a cost, because I repeat again, they make a determination—this is the amount of rice needed to sell the high cost market, the 100 percent-supported market. We are going to give the little fellow a dividend. And these are going to be extra certificates and will not affect the fellows over here. Somebody has to pay that bill. If that rice does not move into the domestic market, and if you get your \$2.90 back—if you sold it in export the Government will pay the \$2.90 on that portion of the certificate program.

I think one of the gentlemen mentioned this point this morning. There were some statements made. I am sure that they were made in good faith and with the intention to keep them, but when you deal with legislation you should not deal, in my judgment, with matters where there is discretion and you can go two ways. You look at the legislation, and you look at it in terms of what it permits, not what you propose to do under it, but what it permits.

This legislation says that the national allotment for high support level is that level that will provide 60 million bags of rice—60 million bags of rice. If you take the average yield that means 1,500,000 acres at 41 bags an acre, which is the national average, and you would only need 1,500,000 acres to fulfill the 60 million bags. That is in the legislation. That means that theoretically they could fill that with 380,000 less acres than we have today. That is a very, very important point. It was mentioned here this morning, but I do not know if the impact was understood by the committee. So that in a sense we in the very legislation by its very text could take acreage cuts much more substantial and below the present minimum level of 1.6 million.

Again, the statement was made that the concept of this was to shift costs from the Government to the low-income group, because it goes without saying, everyone knows this, in rice it is not a secret, it has been published many times, that the people of low income eat more rice. And the comparison is astonishing. The percentage between what a low-income family eats and what a middle-class or high-income family eats is quite amazing. It is quite a big fraction. And this means that the burden of this saving falls, whether it is Puerto Rico, Honolulu, or the United States, will fall on the people who make rice

their daily diet. This is completely inconsistent with the concept of the poverty program.

I am not speaking in favor or against that. I am simply saying that the two things seem very hard for me to reconcile in my mind. Here appropriations have been made to clean out the poverty pockets and then we come around and we do something like this where in effect we are going to take the poverty money away so that they can pay the rice bill. And that to me is very difficult to absorb.

There are very many competent people here who are going to talk about the effect of this on the food that goes into the cereals and the rice that we call grower's rice that is the granulated rice that ends up as a result of the milling process that goes into brewing, but do not discount these people. They are big in terms of the overall dollar that comes back to the producer. Brewer's rice is important. And the puffers and the cereal manufacturers are very important people in rice.

I cannot see how we can justify, say, that we can add \$4 to \$5 a bag to the cost of those two items and expect these people to continue to pursue and to purchase the items in the rice line.

As one of the men said this morning, I think it was the man from the canning group—that rice is already very important, a very costly, comparatively costly item in this commodity, because people overlook one thing. Why is that? It has nothing to do with the support—nothing to do with these other items. It has to do with some of the things that Congressman Hagen was talking about. It is a very costly business. You have to have huge equipment. You have to have extensive land. You have to have considerable water. And you have to have many big physical facilities. This is all part of the package.

Well, the man may get back x dollars. Those are consumed on the farm in many varieties of ways as distinguished from other commodities which are much easier to grow and which are not as costly.

So I say that I think that as far as California is concerned—and I am sure that others share my view and they can speak for themselves in other areas—that this would be a really devastating blow to us. We have really done something over there, particularly in Puerto Rico, that is unique. There are three California rice mills representing over \$7 or \$8 million over there that we have built—right in San Juan. We are doing this work. We have developed a method of getting the rice over there in bulk to reduce the costs. And now all of this is in jeopardy if we are going to tack onto it the cost of what it is going to cost the consumer over there and in Hawaii.

So I urge the committee to give this very serious consideration.

I thank you for the opportunity you have presented me here today.

Mr. JONES of Missouri. Just one thing you mentioned. Which I think is rather confusing. You mentioned a number of certificates. You said that the small producer would get the extra certificates. Actually, the way those certificates are figured it is on the first 500 hundredweight, whether a large or a small producer. And that will be on the basis of 55 percent. And then the next would be on 1,000 hundredweight, regardless of the size of the operation. And over that it would be on the national allotment basis. I do not think there will be that discrepancy you mentioned or indicated.

Mr. LEAHY. Let me explain that to you. I am not so sure about that. A very small producer, if you give him 55 percent and you set the national acreage or the national allotment at, let us say, at somewhere between 35 and 40 percent, he has gotten 15 percent more than what is his true allotment. He could only average out, if he had sufficient production. What you say is true, Congressman Jones if the man had more production, but if he was only in limited production he would have more than he should have. That is the dividend part.

Mr. JONES of Missouri. I do not want to argue the point. I am not talking for that purpose but merely to tell you that I think that the Department has taken this into consideration in figuring the number of allotments. I just did not want to leave the impression that it was just a bonus that was coming to the farmer. Everybody gets on the first 500 hundredweight the same. On the next 1,000 the same. And then over that it is different.

Are there any other questions?

Mr. HAGEN of California. As I understand it there is no quota existing on imports of rice into the United States, but there is a substantial tariff; is that correct?

Mr. LEAHY. Yes, sir. We have never faced too much of that import problem in rice.

Mr. HAGEN of California. As I understand it it is fairly marginal. Puerto Rico might seek rice in the world market if our price got too high?

Mr. LEAHY. It could very well. Just recently some British Guiana rice is going into there right now. It has been published in the papers just within the last month. And it is paying the duty.

Mr. HAGEN of California. It could come into the United States—there is no quota on it into the United States; is that not correct?

Mr. LEAHY. That is correct.

Mr. JONES of Missouri. Are there any other questions?

Mr. Gathings.

Mr. GATHINGS. Can you give us in detail how you arrive at this 1,500,000 acres. I did not jot down all of the figures you gave us. Would you go over that again, please?

Mr. LEAHY. If you will turn to section 352 of the bill it says that the national acreage allotment for rice in a calendar year shall be that acreage which the Secretary determines will be on the basis of the projected national yield and expected under planting, and I am leaving some of the language out, farm acreage allotment produces an amount of rice not less than 60 million hundredweight adequate and so forth, so that is the figure that is basic. He can not get below 60 million, but he could go to 60 million. He could make such a determination.

The national average yield for rice is 41 bags to the acre. So that 1,500,000 acres times 40 is 60 million bags of rice.

Mr. GATHINGS. That gives you the 60 million?

Mr. LEAHY. That is correct. So that theoretically—

Mr. GATHINGS. That would amount, Mr. Leahy, to a reduction of 300,000 acres.

Mr. LEAHY. Yes, sir.

Mr. GATHINGS. In 1966, less than the acreage we allocated in 1965.

And as a matter of fact, on the basis of hundredweights based on poundage, the farmer would find himself in a cutback of acreage of 1.6 million to 1.5 million from the regular allotment and 1.8 million allotted in the last few years to 1.5 million—300,000 acres less.

Mr. LEAHY. That is correct. One other bad feature that I overlooked in that same connection. In the export side of this thing there is no floor on the support price. It says that the Secretary may fix the support price at anything from zero to 100 percent. So that theoretically we could get no support under this bill to exports.

Mr. GATHINGS. In other words, he has that leeway?

Mr. LEAHY. Complete discretion.

Mr. GATHINGS. Whatever he so desired or saw fit to provide.

Mr. LEAHY. You recall the bill in 1958 that had the clause that he could never set the export support below 50 percent. This one does not have any such clause.

Mr. JONES of Missouri. Mr. Stalbaum?

Mr. STALBAUM. Just to clear up that point, I assume, Mr. Leahy, that section 352 says the minimum after that?

Mr. LEAHY. That is correct.

Mr. STALBAUM. Then it does not necessarily follow arbitrarily that the total acreage will be reduced to 1,500,000 acres?

Mr. LEAHY. That is correct—that is correct. I said that I was taking the things that he could do and not saying what he would do. I say what he could do.

Mr. STALBAUM. I just wanted to clear that for the record.

Mr. LEAHY. But in the other bill in 1958—some of us in the room were involved in that—there were some very basic differences, and one of them was that there were different minimums to protect the exercise of some of these discretions that are not in this bill.

Mr. STALBAUM. I wanted to make clear that it did not necessarily follow that the Secretary had to come to this minimum.

Mr. JONES of Missouri. Of course, the Secretary has the right to keep it up. And he would be justified, perhaps, under it to do that this year.

Mr. LEAHY. Thank you very much.

Mr. JONES of Missouri. We thank you very much.

I would next like to call on our colleague, Mr. Clark Thompson, to introduce some witnesses from his area.

STATEMENT OF HON. CLARK W. THOMPSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. THOMPSON. Mr. Chairman and members of the subcommittee, thank you. May I say at the beginning that it is a pleasure to be back with the Rice Subcommittee. I was one of the four here today who were charter members of it.

The problems concerning the rice industry this year, Mr. Chairman, are the most serious it has faced thus far. We are convinced that we cannot live with it. And today we will tell you the reasons why. The ones whose names I shall call, some of them have testified already and others will testify, and may I point out that they are practical rice producers, and know all the ins and outs. They have marketed their production to the extent that as you well know we have no

appreciable surplus at this time—the only commodity that I know of that is in that position.

I commend them to you. I ask you to listen to them with careful attention. And may I also say that what they will leave with you I subscribe to entirely. I will call out their names, so that you may know who they are. These are all my people. First is M. W. Mauritz, then David Winterman, Kermit Dyche, W. P. Cardiff, A. W. Thompson, Wesley Nelson, A. W. Feris, A. S. Dennison, Vernon Harrison, George Shultz, Lester Krenick, Tom Henderson, Rudy Strnadel, Donald Meek, B. J. Harvell, Melvin Martin, Ben Reynolds, and Albert Nelson.

These are men who can tell you exactly what will happen if you pass this bill. And they will suggest alternate solutions to this problem. Thank you very much, Mr. Chairman.

It is a pleasure to be back.

Mr. JONES of Missouri. We thank you very much.

The next witness will be Mr. George B. Blair, general manager of the American Rice Growers Cooperative Association at Lake Charles, La.

STATEMENT OF GEORGE B. BLAIR, GENERAL MANAGER, AMERICAN RICE GROWERS COOPERATIVE ASSOCIATION, LAKE CHARLES, LA.

Mr. BLAIR. Mr. Chairman and members of the subcommittee, there are a number of these gentlemen whom Congress Thompson has just introduced who, in the interest of time and shortening this hearing, would like to be associated with this statement. And if after the statement is completed, they have an oral comment and it would be permissible, they might be called on. They are Mr. David Wenteman, who is the president of our association, Mr. Joe R. Zackery, of Lake Charles, La., who is vice president, and all of the other gentlemen Mr. Thompson introduced, Mr. Meek, Mr. Cardiff, Mr. Nelson, Mr. Feris, Mr. Denison, and Mr. Dyche. There are three other gentlemen who I think are not here yet. They are from the Mississippi Rice Marketing Association who have also asked to be identified to the committee as subscribing to the statement to be presented. Mr. Menton, the president of the Mississippi association, Mr. Zackery, a member of the executive board, and Mr. Harold Lyons, the manager. I believe they will be present later this afternoon or tomorrow and perhaps are scheduled, that is, one of them, to appear before the committee.

My name is George B. Blair. I am general manager of American Rice Growers Cooperative Association with headquarters at Lake Charles, La. American Rice Growers Cooperative Association is a federation of 21 farmer-owned local rice marketing cooperative associations in Louisiana and Texas with some 2,000 rice-producer members. These associations market some 60 percent of the Texas rice production and a lesser percentage of the Louisiana crop.

We sincerely appreciate the opportunity to appear before you today to give our views with respect to the proposed legislation regarding rice.

I believe it is generally conceded that the rice industry of the United States has had one of the finest working relationships with the U.S.

Department of Agriculture and other Government agencies over a period of the last 15 or 20 years that has existed.

To recount just a bit of history, after world rice prices dropped in 1954 the U.S. industry found suddenly that it was priced out of the world market and as a result there were heavy accumulations of rice for the ensuing 2 years in Commodity Credit Corporation hands. Acreage allotments and marketing quotas were imposed in 1955 with the U.S. industry taking a cut in acreage of about 38 percent with some States taking a larger cut than that, based on history, and individual producers taking acreage cuts of more than 50 percent as controls were imposed. Shortly after these happenings the United States lost Cuba as its principal rice export market.

Despite these happenings all elements of the U.S. industry have worked hard to correct the troubles which faced us and for the past several years we have found practically no rice going into Commodity Credit stocks. About 70 to 75 percent of our total production is moving for dollars in domestic and export markets and rice is moving to over 100 different countries in the world in the last few years.

Rice has been pointed to a number of times in recent years as one in which the legislation for orderly marketing and control of production had worked admirably from the standpoint of Government. The industry has worked hard and spent millions of its own dollars over the period of the last 15 years to develop the domestic market and, as a result, rice is the only carbohydrate food in the United States which is showing a steady growth in both total consumption and per capita consumption. Many persons in the rice industry have spent long days and weeks working to develop foreign outlets for U.S. rice and the result shows in the dollar exports of the crop to the many countries of the world.

You can understand our chagrin, then, at having legislation proposed and sent to Congress on which the industry had no opportunity to comment or work with the administration in an attempt to point out the difficulties and to develop a workable solution for the objectives set forth by the administration.

The industry requested, on more than one occasion, an opportunity to sit down with the administration and go over the proposed legislation. The request was denied.

Mr. JONES of Missouri. May I interrupt you there? I understood that they had met with some of your group. You say you have not had any opportunity to sit down with the administration and go over this legislation?

Mr. BLAIR. Yes, sir.

Mr. JONES of Missouri. That the request was denied?

Mr. BLAIR. Yes, sir.

Mr. JONES of Missouri. Was not Mr. Jaenke with you some weeks ago? That is, with your association?

Mr. BLAIR. Mr. Jaenke met with a group in Louisiana some 2 weeks ago, and Mr. Claude Freeman met with a group in Texas within the last 2 or 3 weeks to discuss the legislation which has been proposed or presented.

Mr. JONES of Missouri. You are referring then to the time prior to drafting of the legislation.

Mr. BLAIR. An opportunity to discuss what was going into the legislation and what would work and what would not.

Mr. JONES of Missouri. You do have a rice advisory committee?

Mr. BLAIR. Yes, sir.

Mr. JONES of Missouri. Was it not in Washington last fall to discuss it with the administration?

Mr. BLAIR. They were in Washington in February at which a proposal for a certificate plan was presented to the advisory committee. We were told that it was not possible to see the draft legislation—it would not be possible until it was presented to the Congress. We were talking about the principles of such a program.

Mr. JONES of Missouri. The advisory committee was here, and they did talk to the administration, but—you were here and talked with the administration, is that not correct?

Mr. BLAIR. Yes, sir. We were here.

Mr. JONES of Missouri. What I am trying to get at is the statement that you have made, I am not criticizing, I want to get the facts, you still are saying that you requested to be heard and the request was denied?

Mr. BLAIR. Yes, sir.

Mr. GATHINGS. Will you yield?

Mr. JONES of Missouri. Yes.

Mr. GATHINGS. But that was between the time the advisory committee met in February and the time that the actual draft of the legislation had been completed?

Mr. BLAIR. The draft of the legislation, so far as we were aware was when it was introduced in the Congress—I believe the third of April was the first time that we had an opportunity to see what was in the proposed legislation.

Mr. GATHINGS. That is what you want to convey in that paragraph?

Mr. BLAIR. Yes, sir.

Mr. GATHINGS. You wanted to be advised as to what type of proposal was to be presented to the Congress?

Mr. BLAIR. Yes, sir.

Mr. JONES of Missouri. You may proceed.

Mr. BLAIR. Thank you, sir.

We also sought to determine what would be in the legislation or to secure drafts of the legislation through Mr. Clark Thompson or the House Agriculture Committee and the Senate Committee on Agriculture and Forestry. It is our understanding that neither the House nor Senate committees were consulted with respect to the proposed legislation and, hence, there was no opportunity for a review of the proposal by the industry prior to its introduction in Congress.

The rice industry was told that it was because of the very expensive costs of the rice price support program that new legislation needed to be devised.

I am sure that you have seen the figures put out by the administration to the effect that the total cost of the rice price support program was about \$180 million per year representing some \$7,900 per farm as compared with much smaller amounts for other commodities and ranging in prices like \$400 to \$600 for other commodities, and representing about half of the gross value of the crop.

First, I would point out to the committee that, with some exceptions in the fringe areas, rice is the only major crop grown in the rice producing area. In general, it is a one-crop economy. The excep-

tions are the small acreage in the Mississippi Delta, some acreage in the eastern fringe of the Arkansas producing area and a small acreage in the western fringe of the Texas area. This means that the total resources of the rice producer are devoted to rice farming and consequently the total production cost, on a per farm or a per acreage allotment basis, is expected to be greater. On the other hand, we find feed grains generally grown throughout the area in which wheat and cotton is grown with diversified farms generally engaged in the production of at least two of the items and many times of all three of the commodities. Yet the administration, in proposing the figures to compare with cost of rice production, breaks down the individual items on a per commodity basis instead of on a per farm basis. I would also call to your attention that there is no minimum allotment provision in the case of rice as there is, for instance, in the case of wheat, where, as I understand it, there are more than 1 million farms with less than the minimum allotment of 15, or 15 acres, and which help to reduce the total cost per allotment on the basis of this type of calculation.

We also find that we are in very substantial disagreement with the bookkeeping procedures used to justify this type of program.

The figures presented, as I have seen them, are purported to be the USDA costs of supporting the 1964 crop of rice. Actually, they are calculations of a total cost to the U.S. Government during the fiscal year 1964 and, with one very minor exception, involved a complete writeoff of all of the activities with respect to rice in which the U.S. Government engaged.

The one small exception is a gain of \$200,000 in fiscal year 1964 on rice taken over by Commodity Credit Corporation and then resold. We do not have access to all of the figures nor the basis of charges attributed to the rice program but I would point out that the so-called price support operation of Commodity Credit Corporation for 1964 includes about \$2.5 million worth of milled rice which went to the school lunch program and about \$11.3 million worth which was used for donations by the U.S. Government under various welfare programs.

Substantially all of this rice was bought in the open market on a competitive bid basis and with the U.S. Government sometimes taking action to deliberately force down the entire market in order to acquire the small quantity they wanted at a price which was satisfactory to them.

Also included in this item is a storage and handling expense of \$900,000. We have no way of knowing what should constitute this item but, on the basis of the 1964 takeover of 771,000 hundredweights, this figures about \$1.17 per hundredweight. In our part of the country, we can get rice stored and handled for a full year for about 30 cents per hundredweight.

If I remember correctly the Government payment for storage in the commercial storage is about 3 cents per hundredweight per month. Another \$600,000 under price supports is charged for transportation. Certainly this is not the cost of moving the 771,000 hundredweights of rough rice taken over by the Commodity Credit Corporation so, presumably, it must be substantially the cost of transporting the rice which was given away to welfare programs and for school lunch purposes.

The figures which have been handed about show a cost to the rice program under Public Law 480 as \$126 million.

First, we think it is manifestly unfair to charge the rice industry with the cost of foreign economic development programs which are a standard part of the U.S. diplomatic arsenal of weapons. No one in Government denies, as Mr. Jaenke indicated this morning, that the principal reason for having an acreage allotment 10 percent in excess of the minimum is in order to supply the rice needed for our foreign commitments, yet, we find the gross value of these commitments charged against the American rice farmer.

Not only is the export subsidy on this rice charged against the rice farmer but the total cost of the rice acquisition and the ocean transportation to the recipient country including the added freight cost as a result of shipping of 50 percent of the sales in American bottoms as a subsidy to the American merchant marine. Even further than this, there is added into this cost the total value of the rice and transportation which was sold under title IV of Public Law 480 on credit sales for U.S. dollars on which repayment is guaranteed. Then after adding all of these costs in, the total gross amount is charged off as a cost against the rice price-support program regardless of use made of the fund by the U.S. Government or recoveries of the amounts involved. In some of the more recent Public Law 480 sales, I understand, as much as 50 percent of the total amounts of the funds have been earmarked for unrestricted U.S. uses.

The industry cannot quarrel with the fact that the export subsidy payment on the dollar sales is a direct benefit and result of price support and disposal operations and this \$38.8 million plus a reasonable charge for handling and storage of approximately 1 percent of the crop taken over by the Commodity Credit Corporation means that the total actual costs which should legitimately be charged to the rice farmer as a result of rice support operations is only about 20 percent of the purported cost shown by the figures which have been handled out. Even if export subsidies on foreign currency sales are added, the cost is only one-third.

As indicated earlier, the industry had no opportunity to work with the administration in development of the subject legislation and it was not until after the legislation was introduced in April and copies became available in Congress that we have had time to sit down and try to analyze the possible effects of the bill.

The past month has been a busy one as we have tried to analyze the implications of the proposed legislation, its possible results, and get our rice farmers acquainted with the contents so that they may be able to make some kind of a decision with respect to the legislation.

Any study of the proposed legislation is made much more difficult by the wide discretionary authority granted throughout title III to the Secretary of Agriculture. Many assumptions must be made as to what action the Secretary would make, some of them contradictory, and each of them affecting the resulting analysis. So much must be assumed that it is almost an impossible task to tell which direction this legislation would lead and what its results would be in terms of income to the rice producer.

The legislation is proposed to be effective for a 2-year period after which the price-support operations for rice would revert to present

legislation. Obviously, it is not intended that such a drastic revision of rice support operations should terminate after only 2 years and there would be requests forthcoming to reenact and continue the legislation.

Under the proposed bill, the present legislation providing for a minimum national acreage allotment of 1.6 million acres and the legislation providing for distribution of that allotment to the States would be repealed. Substituted would be a "minimum production goal" of 60 million hundredweight which, when divided by a projected national average yield, would provide a national acreage allotment.

According to our calculations, and depending on the method used for projecting a national average yield 2 years into the future, this would mean a minimum national acreage allotment of 1.4 or 1.3 million acres. The larger figure would result if we used a method of simply adding in the last 2 years for weight and dropping the oldest year to arrive at a projection 2 years in the future. The smaller figure would result if we use the percentage of average increase in production, by States, as a basis for projecting average yields. At any rate, the result would be an additional acreage cut for the rice producer in the range of 25 to 28 percent from present acreage and would mean that the allotted acreage would be about half what it was before the institution of acreage allotments and marketing quotas.

I might insert that we are aware that the Secretary has said that he foresees no need for reducing the acreage allotment in 1966, and we are sure that he is sincere and that he would not reduce the allotment if this legislation is adopted. We are accused of being shortsighted and not looking to the long-range picture with reference to this legislation, and this is a charge that we deny. We are very much more concerned with the long range than we are with the effect in 1966.

We have no way of knowing what determination the Secretary would make with respect to distributing the reduced acreage allotment to the States and to counties and farms or to producers.

If each State's allotment is determined on the basis of production, as is the national allotment, there can be a very substantial shift of acreage between States which would result in some States taking another exceptionally large cut in acreage. For instance, Louisiana's share of the present national acreage allotment is about 28 percent. Its share of the national production is about 23 percent. If the national acreage allotment is distributed to States on the basis of production, this will mean that Louisiana will take an acreage cut, under the minimum acreage assumption, of about 40 percent and that its acreage allotment would be only about 46 percent of the acreage which was being planted in Louisiana before the application of marketing quotas.

As you can see, any kind of acreage cut would work an extreme hardship on producers in many States but the acreage allotment cuts possible under this proposed legislation and its application to the States would be completely disastrous, if our reasoning is anywhere near correct.

We have serious reservations as to whether this proposed legislation will increase either total or net income of rice producers, especially as related to parity. There is a good likelihood that farm income from rice production will be substantially decreased.

I might also insert here that as I indicated earlier there are contradictions in the proposed legislation or something in regard to it. We have just discussed the possibility of substantial acreage cuts. Equally disturbing in the application of this bill is the possibility that the Secretary would determine what he wants to maintain the total production at, somewhere around the present level of 75 million hundredweights annually. We are convinced that many producers would substantially produce acreage under the proposal if it was enacted into law. Very frankly, if the total production times \$3.60 per hundredweight, if this is a loan value, could not cover his cost of production, then he could not afford to produce it. This would mean that with a production cost around \$125 to \$140 per acre he must have 3,000 36 hundredweights of production per acre to cover his costs. And if he is making less than that he could not afford to produce for this lower price and blend would not mean anything. All he would be doing, if he is blending it, is taking the acres from which he is losing money and averaging it with that on which he is making money, so that his total income is lower. And this concerns us particularly because if producers, on the average, reduce acreage 25 percent, and the Secretary wanted to maintain a level of production he must increase the total acreage 25 percent which would mean that he could produce his proportionate share of certificates from the total allotted acreage would be, percentagewise, smaller. He would still get his full share but it would be smaller, and this could go on and on, so that as we try to maintain production, every time we cut back on these domestic market percentage of certificates, the producer cuts back to try to keep his income up, and we run into the same situation again. We have not figured the solution for that one yet.

We have strong reservations with respect to the wide discretionary authority which is granted to the Secretary of Agriculture in the proposed legislation and believe that the bill, as presented, would subject any administrative officer to budgetary and other pressures which he would find impossible to resist and which would, at the same time, drastically change the proposed benefits of the program to producers.

I would point out that under the proposed operation of the program and as the Department is now keeping books if the program went into effect we would still have remaining \$130 million to \$140 million charged against the rice farmer as the cost of the rice program. It would amount to about—as they keep their books—\$6,000 per farmer. And I, personally, feel sure that if people in authority have looked at this \$7,900 and said that this is exorbitant and too high a cost, we have got to get it down, if they looked at this \$6,000 they would say the same thing. And we have to reduce the production or we have to reduce Government costs within the discretion that would be granted to the Secretary under this bill.

In trying to analyze the effects of the bill, about the best we can do is take the extremes of what we think could happen and use them as examples.

The USDA estimates that the gross income for the rice crop for 1965 will be about \$360 million, about the same as last year with a support cut of 21 cents per hundredweight but anticipating a continuation of the increase in yields, with a gross value of \$200 per acre.

Under this legislation, according to our calculations, taking a projected average yield in 1966 of 4,268 pounds on the present 1.8 million

acres, a domestic market support price of 100 percent of parity, anticipating no decrease in the domestic market consumption, and assuming a loan value of \$3.60 per hundredweight, slightly above the world market price, the gross income to rice producers would be \$363.7 million. This is the very best that could happen under the present legislation and would represent a gross income per acre of about \$202.05.

Mr. Chairman, this word "present" should be under the "proposed legislation" in the prepared copy.

The worst that could happen under the proposed legislation is that the support level could be set at the minimum of 65 percent of parity and the acreage could be cut to the statutory minimum of 1.6 million. This would result in a crop with a total value of about \$295 million representing about \$184 per acre or about \$18 per acre below the gross returns for the most favorable application of this proposed legislation.

In other words, under the very most favorable application of the proposed legislation the rice farmer would have only about \$18 per acre more gross than he would under the very most unfavorable application of the present statutes.

If we assume that the Secretary would not cut the acreage and that there was no loss in domestic consumption but that the domestic market was supported at the minimum permitted by this legislation, we are looking at a total gross reduction of rice income of \$60 million and a per acre reduction in income of \$33 per acre below that of the present program.

If we assumed that there would be no effect on the domestic market but that the Secretary reduced the acreage to the minimum permissible under the proposed legislation and supported the domestic market at the minimum proposed this would represent a reduction in gross income of \$121 million from the present program and a reduction of about \$86 per acre on an acreage reduced by 400,000 acres.

We are also seriously concerned about the effects of the proposed price increase on domestic market consumption and, of course, the domestic market consumption is the factor which determines the percentage of certificates which a producer will receive and consequently what his average or "blended" price will be from his total production.

USDA estimates that the application of the proposed program will result in an increase of 4 cents to 6 cents per pound of milled rice. I have also heard Department people estimate that the probable maximum effect on the domestic market will be a reduction of consumption by 1 million hundredweights and that this will be only temporary.

I believe also we heard testimony this morning that there would be a negligible effect on it.

We have also heard it suggested that this kind of price increase amounts to only 30 cents per person and will not be significant in the market.

We cannot agree with these theses and apparently the Department is ignoring its own published studies in this regard.

This seems somewhat like reasoning that we can raise the price of Ford automobiles from \$3,000 to \$5,000 per car it will not affect car sales because it only amounts to \$27 per person or \$83 per car owner in the United States.

We do not know how the Department arrives at its estimate of 4 cents to 6 cents per pound as the value they will place on processors'

certificates but we must assume that this is the result of some deliberation and study in the Department.

This kind of increase represents an increase of 40 percent to 75 percent—this would vary with the type of rice—in the f.o.b. milled price of milled rice.

In the only published study by USDA that the industry is aware of, published as House Document No. 100 on March 2, 1955, page 12, is the following:

Based on data since 1935, a coefficient of elasticity of domestic demand for rice for food in Continental United States of 0.05 was determined; that is, it was found that, on the average, and other factors being equal, a decline of 2 percent in price to growers was associated with an increase of 1 percent in continental per capita food consumption * * * . In the analysis which appears in a later section of this report, domestic territorial disappearance which includes brewers, seed and feed use, as well as food use is assumed to have a demand elasticity of about 0.03.

A 4 to 6 cents per pound increase in the cost of milled rice means a 40 percent to 70 percent increase in the cost of milled rice, f.o.b. the mill.

If USDA's study is correct, this would indicate a reduction in domestic consumption of 20 percent to 35 percent as a result of this kind of increase in price.

We are fearful that this kind of a study is more than likely to be correct. We know, for instance, as you have already heard and will hear, that the brewing industry, which accounts for about 14 percent of our present domestic consumption, cannot stand any kind of additional price increase or the market will be completely lost. We estimate that we might easily lose half of the market going to reproprocessors (cereal manufacturers, canners, baby foods, etc.) and the 3 million hundredweights going to this market, accounting for about 10 percent of our domestic market, would mean a total of about 21 percent—if, again, we are right about our assumption of 21 percent loss of market in these two items. Direct food use in the United States and Puerto Rico accounts for about 68 percent of our total domestic consumption and if we have any appreciable effect on this market as a result of such drastic price increases, then we are faced with a loss of about 20 percent and 30 percent of our domestic market, and consequently, a reduction of 20 percent to 30 percent in the amount of certificates which the producer will get. This simply means that the proportion of his crop which will be supported at domestic market prices, whatever that may be, will be reduced by this amount and instead of having 60 percent to 65 percent of his crop moving at world market prices he will have 70 percent to 80 percent. This simply means that support of the crop, which supports at domestic market prices, whatever that may be, instead of having 60 to 65 percent of his crop moving at world market prices, he will have 70 to 80 percent at about the present level, assuming production at about the present level he has now.

We could continue to belabor the possible effects of this proposed legislation on the producer and his income but, as pointed out earlier, the wide discretion given to the Secretary of Agriculture makes it almost impossible to determine a result if it is enacted into law.

We have very real fears of this legislation. Our fears are in terms of what it will do to the income of individual rice farmers and the related industries in rice production.

We are also made fearful by the fact that we are aware of the administration's success in getting legislation through Congress without substantial change and the refusal of the administration to sit down and talk about the problems of the rice industry and attempt to work them out to the mutual benefit and satisfaction of all concerned.

We would very earnestly urge this committee to recommend the removal of title III and other related portions affecting rice legislation from House bill 7097 and leave the rice program effective as it is today.

There are a multitude of things in the production and marketing complex of any commodity to be considered and to devise a completely new program cannot be done in a few days or even a few weeks. We believe that removal of this title from the bill and reliance on present legislation, recognizing what the consequences may be, would give the industry and the Department of Agriculture time to sit down and try to develop the most workable program. Such a program might be within the framework of present legislation, it might be within the framework of a certificate plan, it might be within the provisions of a market order-type of operation or it might be in terms of a higher domestic market price with a relaxation of marketing quotas and acreage controls to allow producers to produce the amount they want to at world market prices.

The point we are trying to make is that there are a considerable number of avenues of approach to support programs and they require more time than is available before this committee and in this session of Congress to develop.

We would again point out that the Government costs on which this plan is projected are unrealistic and we think are not worthy of the impartial and objective approach to this question which we should be able to expect.

We would also point out that under the very best administration of the present program, and this would be true if all of these things were written in as fixed items in the bill, the producer will be little, if any, better off than he is under present legislation and not much better off than he would be under the minimums of support and acreage allotment of the present legislation. On the other hand, under the most extreme adverse operation of the proposed program, the rice industry in the United States, as we know it, would cease to exist. Probably what would happen would be somewhere between these two extremes—but realistically, what would happen would be between these two extremes, probably. But, in any case, rice producers would be in dire straits if this legislation is enacted.

Again we urge the earnest consideration of this committee looking to the removal of title III and related items from this legislation.

Thank you, sir, and gentlemen of the committee.

Mr. JONES of Missouri. I want to thank you, Mr. Blair. I think you have made your position very clear, particularly where you said you thought you would prefer to keep the present legislation, even if the price supports were to be reduced and acreage allotments reduced. That is what I get to be the gist of your statement.

Mr. BLAIR. We understand, sir, as you indicated this morning, this is a possibility.

Mr. JONES of Missouri. Any questions, Mr. Gathings?

Mr. GATHINGS. Mr. Blair, I just want to compliment you on your statement. It is a splendid presentation, although you did use extremes in arriving at the figures.

Getting back to page 8, down at the foot of the page, there is the statement:

This simply means that the proportion of his crop which will be supported at domestic market prices, whatever that may be, will be reduced by this amount and instead of having 60 to 65 percent of his crop moving at world market prices he will have 70 to 80 percent. This assumes, of course, production at about the present level.

Now, what effect would that have on the cost of the program, if any, if you had a situation whereby, instead of 60 to 65 percent of the crop moving in world markets, you move that up to 70 to 80 percent. What would be the additional cost to the taxpaying citizen?

Mr. BLAIR. I think, Congressman Gathings, we would have to assume that if this happened overnight, most of this would move under the provisions of this additional amount until dollar markets could be developed, would be moved under the provisions of Public Law 480. This would represent an increase of possibly a 10 or 10 to 15 percent additional amount that it would have to move under Public Law 480. The Department estimates the total cost of Public Law 480 in the past year at \$126 million, so 10 percent would be around \$13 million, 15 percent would be around \$19 or \$20 million of additional costs, which, of course, defeats this sort of thing we are trying to work on.

Mr. GATHINGS. So instead of a saving of \$50 to \$60 million, it could happen that there could be a reduction of some \$12 or \$13 million off that?

Mr. BLAIR. We think this is a realistic possibility.

Mr. GATHINGS. Thank you.

Mr. JONES of Missouri. Mr. Hagen?

Mr. HAGEN of California. Mr. Blair, I think you have a very excellent statement, one of the best I have heard as a member of this committee.

As I understand it, we have been moving an awful lot of rice in this Public Law 480 program, is that correct?

Mr. BLAIR. Yes, sir; there has been a substantial quantity of rice moving.

Mr. HAGEN of California. Apparently, this has not come from Government-owned stocks. It is purchased on the open market, is that correct?

Mr. BLAIR. The Government has acquired very little rice in the last 3 or 4 years, under their loan program, where it is turned over to the Government. Almost all of the Public Law 480 rice which has moved has come through commercial channels in the open market under agreements which have been negotiated between the United States and the recipient countries. But it is all out of the open market through commercial traders.

Mr. HAGEN of California. Now, you mentioned the possible inequities in allocating acreages among States under this proposal. Just for the record, what is the present method of allocating acreages?

Mr. BLAIR. Present legislation provides that the national acreage allotment shall be allocated to States on the same percentage basis as it was allocated for the 1956 crop, which has had the effect for the

last 9 years of each State having a fixed percentage, an identical percentage, for all practical purposes, of the national acreage allotment. The proposed legislation would repeal this provision and this I cite as a possibility. It would be disastrous to some States, it would be highly favorable to some States.

For instance, if it were allocated on the basis of production, I presume there is nothing in the legislation which would preclude the Department of Agriculture from continuing to allocate on the same basis as they have in the past. So the legislation is silent on this issue. We just have to speculate as to what might happen or would happen or what could happen.

Mr. HAGEN of California. Are these State allotments broken down into counties and to farms on the basis of a 3-year average?

Mr. BLAIR. I believe they are broken down on a 5-year average. We have two types of allotments in the rice program. One is what we call farm allotment areas, and the other producer allotment States or areas. The farm allotment States are areas broken down to the county and to the farm on the basis of a 5-year average. The producer allotment States or administrative areas, it is on the basis of a 5-year average of that producer.

Mr. HAGEN of California. Is it your contention that this bill abolishes the allotment to farms and counties?

Mr. BLAIR. It repeals the requirement so requiring. I'm sure it could be continued if the Department so chose, or they could go to some other method if they so chose. As I say, the legislation is silent on this issue.

Mr. HAGEN of California. What is your position on giving a greater domestic portion to a producer on the first 500 pounds of production and with a sliding scale, so to speak?

Mr. BLAIR. We have some very real reservations with respect to this provision on several points. First, it tends to defeat the purpose of the proposed legislation, of reducing costs to add back costs to it, which again would get added into this charge against the rice farmer.

Second, although there are a number of small farms in most of the States, I think we will find, and this is true in the area of Louisiana in which I live, that one farmer may be farming three, four, five, or six. I know of one in Vermillion Parish who is farming about 100 acres, I believe 102 acres, on 8 different farms. In general, it is my impression that the small farms, a small farm is not the sole source of livelihood of a producer, and if a producer is making his living from rice and has small farm allotments, he is farming several of them and not just one.

Mr. HAGEN of California. Do you know of any producers who are actually growing rice themselves and only grow 15 acres of rice?

Mr. BLAIR. And who depends on it for any substantial part of a living? No, sir.

Mr. HAGEN of California. They might put together a block from various landowners who own 15 acres of allotments, but this is one guy farming all those allotments, is that correct?

Mr. BLAIR. Yes, this is true. One of my directors, who lives within a few miles of Lake Charles, has been expanding his acreage in recent years. He has expanded it because of a producer with a small allotment, he cannot afford to continue to produce. He leaves the farm,

and this is a farm area, and it is leased to this man. He is farming 5 or 6 farms right now with a total allotment of 400 or 500 acres.

But some of them are 25-acre farms. He leased one last year of 43 acres.

This is kind of the pattern in much of this area.

Of course, to the landlord who owns the farm, this would be of benefit to him. But to the actual operator who is out there with the equipment doing the job, there are many of them that are farming several of these small allotments to make up their total rice production.

I do not say this is true in all cases, and I am sure we can find examples of men who have a 10- or 15- or 20-acre allotment. If we looked hard enough, probably we could find one who has no other substantial source of income. But as a general pattern, this is just not possible, because you cannot support a man and a wife and family of any size on 15 acres of rice.

Mr. HAGEN of California. Of course, the man who is only farming 15 acres of rice would own almost no machinery; certainly none usable only in rice production.

Mr. BLAIR. No, sir; he would have part of it done on custom work. He certainly could not afford combines at \$13,000 and tractors at \$6,000 and \$7,000 as a commercial operator of any size or scale does.

Mr. HAGEN of California. He would have to hire all that work done, correct?

Mr. BLAIR. I would not say he would have it all done. He might have a little Ford tractor to do part of his plowing. Certainly, he would have to have it harvested by someone else. He could not afford to own a combine on that kind of acreage.

Mr. HAGEN of California. They do not stomp rice like they do in Burma or other places?

Mr. BLAIR. No, sir.

Mr. HAGEN of California. I believe that is about all I have.

Mr. JONES of Missouri. Mr. Walker?

Mr. WALKER. No, thank you.

Mr. JONES of Missouri. Mr. Stalbaum?

Mr. STALBAUM. If the support were cut back to 65 percent of parity along with the 1.6 million acreage allotment, do you feel this low support level would tend further to reduce the acreage in the years applicable?

Mr. BLAIR. No, sir. It would tend, in my opinion, to cause a shift of acreage from producers who cannot make a go of it or who do not have a large enough allotment to justify equipment and so forth to a man who has a large enough block, enough labor and enough equipment to be able to produce at \$4.20 per hundredweight.

I do not think under the present legislation that a reduction in support level would reduce acreage in any significant amount at all. We would still plant 98 or 99 percent.

Mr. STALBAUM. The other question was on the matter of Government costs. The Department, of course, has indicated that their new program would reduce the Government costs by some \$50 million. Do you feel, and you have shown the figures here how much this would reduce income to the ricegrowers in your testimony—do you feel that a reduction to the minimum acreage and to the minimum support level would reduce the Government costs approximately the same as their proposed programs?

Mr. BLAIR. Yes, sir. I say frankly to you gentlemen of the committee, we would be crazy if we solicited such action. We recognize that this could happen and I believe Mr. Jaenke testified this morning that this projected saving could be achieved this other way. It would be rough on some producers.

We face somewhat the situation here as we do every time we vote on a referendum. You have one choice or another and neither one of them may be very palatable, but you have to make the choice. So we make it. And we recognize that this could happen and that it would be really rough on a number of our producers.

Mr. STALBAUM. But you do believe this would reduce the Government costs approximately 50 percent, a reduction to the minimum acreage and to the minimum support level?

Mr. BLAIR. I believe it would; yes, sir.

Mr. HAGEN of California. Mr. Chairman, I have one other question.

In your statement, you recount just a bit of history. You say that after world rice prices dropped in 1954, the U.S. industry found suddenly that it was priced out of the world market. Was there some period around 1954 and before that you were selling at the world market price without subsidy?

Mr. BLAIR. Yes, sir. At World War II prices, they were controlled and were not released until, I believe, 1952, and immediately after that, the Korean war flared up and world prices were substantially above U.S. prices, even though U.S. prices were then supported at around 90 percent of parity. Actually, there was a shortage of rice in the world and prices were up.

But with the cessation of the Korean conflict, reduction of demand on the part of our Government and the coming back into production of other parts of the world, the world price dropped almost overnight. We found ourselves going from 1953, I believe was the year in which practically no, if any, rice was taken over by Commodity Credit, to 1954—crop planted and harvested in the fall of 1954, which was turned over to Commodity Credit in 1955, I believe about 26 million hundred-weight.

Mr. HAGEN of California. You do not visualize that in the current situation, you could ever sell at world market without an export subsidy, do you?

Mr. BLAIR. No, sir; we see nothing except an outbreak of a conflagration or a limited war in southeast Asia that would bring the world price up to the point that we could compete. I think every producer is doing all that is possible to reduce production costs in the United States.

But we must face the fact that we live in a controlled economy and that the things the farmer buys continue to go up despite all he does to reduce costs.

Mr. HAGEN of California. One other item. Of course, in California, as I understand it, the allotment goes to the producer, and possibly so in Louisiana?

Mr. BLAIR. We have both.

Mr. HAGEN of California. I would judge from your statement, in any event, regardless of what system is in operation, that allotment is not tied to a farm. It can be used on another farm.

In other words, the operator that receives an allotment in Louisiana that belongs to a farm does not have to use it on a particular farm. He can combine it and put it on another of his farms in a combination of allotments?

Mr. BLAIR. He can do that if he reconstitutes his farm on the farm worksheet so it is all included in one part. But in the absence of any reconstitution, it must stay on that particular piece of land in a farm allotment area.

Mr. HAGEN of California. He has to rent the farm from the guys that own the allotment, is that correct?

Mr. BLAIR. Yes, sir.

Mr. HAGEN of California. He cannot just rent the allotment?

Mr. JONES of Missouri. But you do have a producer that owns an allotment? You have it both ways in Louisiana?

Mr. BLAIR. Yes, sir, we have a producer administration in Louisiana. I believe there are about 17,000 acres out of the 525,000 allotted to Louisiana on a producer allotment area. The balance is on a farm allotment area.

Mr. STALBAUM. Are most of your leasings on a share-rent type of proposition?

Mr. BLAIR. This varies, sir. I would say that in Louisiana, the typical arrangement is on a share basis, with the producer paying one-fifth for land and one-fifth for water of the crop, gross.

In Texas, although there is some share leasing, it is a State in which the allotments are producer allotments, and in general, it is a cash rent proposition. Sometimes there is a sharecrop arrangement, but I think more typical is a cash lease of the land which the producer is using.

Mr. JONES of Missouri. Mr. Polanco-Abreu, any questions?

Mr. POLANCO. No, sir.

Mr. BLAIR. Mr. Chairman, Mr. Winterman or some of these other gentlemen I have introduced may have a comment, if it is permissible.

Mr. JONES of Missouri. If they have anything to add, we shall be glad to hear from them. We have a lot of other witnesses.

STATEMENT OF MARCUS MAURITZ, VICE PRESIDENT, RICE COUNCIL, GANADO, TEX.

Mr. MAURITZ. Mr. Chairman, my name is Marcus Mauritz, rice farmer from Ganado, Tex., member of the Rice Council and also member of the Rice Advisory Board. I would like to add a few things and point out, since I have been associated with the promotion of rice for domestic consumption for about 18 years, I feel very strongly about anything that might affect our program. I do not know whether you gentlemen know it or not, but the rice farmers of the United States are contributing better than \$1 million a year to promote their product. One of the main items of promotion that we have and the one that we feel is giving us the greatest gain in domestic consumption is the fact that we can say we have an economical food. The minute we start raising that price as much in percentage as we are, we lose an awful lot of effectiveness in the slogan that rice is the most economical and versatile food that you have.

We think it is wrong to harness the people whom we are trying to sell rice to and the people who buy rice with the cost of rice that our

Government sees fit to ship overseas to the tune of \$129 million. I personally think that is fine to ship this rice over there, but I do not think it should be a burden on the people who like rice and eat rice to pay for that rice that is going over there.

One other thing that I do want to point out, and that is that although we have asked here that you take out, delete, title III from this bill, there are two other little things, or one other section that we would also ask that you delete. That is the last section of the bill, section 602. There they are repealing two sections that have to do with rice. One is section 316, which takes out the law that was passed on succession of interest and transfer of rice allotments. We feel that that section should be left in and left law. If necessary, if there is some conflict, repeal the part that conflicts, but do not repeal the entire section, because there are other things in there that are necessary to us.

Section 353(f) is to be repealed, and that is the section that requires 75 percent of your acreage to be planted to keep your history. We feel that the rice industry needs the volume that it has and that in order for a person to maintain his history, he should have to plant more than just enough to get by with the highest return from a certificate standpoint, and that should not be changed, and he should still have to plant 75 percent to be a rice farmer to take part in this program.

Mr. JONES of Missouri. Thank you for calling that to our attention. We shall keep that in mind.

Mr. HEIMBURGER. Mr. Chairman, could I ask a question?

Mr. JONES of Missouri. Mr. Heimbarger, general counsel for the committee, has a question.

Mr. HEIMBURGER. You say that your rice promotion organization has been in business for some 18 years?

Mr. MAURITZ. Yes.

Mr. HEIMBURGER. How much have you succeeded in increasing the per capita consumption of rice in those years?

Mr. MAURITZ. I would not live up to my name as a Texan if I did not want to brag, so I will just lay claim to all of it. We think that we have not only kept it from going down, but since we have been, the best figures we can get since we have been in operation, we have picked up about 2 pounds per capita.

Mr. HEIMBURGER. In the 18 years?

Mr. MAURITZ. Yes, sir.

Mr. HEIMBURGER. Per capita consumption is about 2 pounds more than it was 18 years ago?

Mr. MAURITZ. That is correct; yes, sir.

Mr. HEIMBURGER. Thank you very much.

Mr. JONES of Missouri. Is there someone else with this group? Give us your name, please.

STATEMENT OF ALBERT NELSON, JR., MONT BELVIEU, TEX.

Mr. NELSON. My name is Albert Nelson, Jr., Chambers County, Tex.

The only thing I want to bring out is to show the allocation. Our allotment is allocated to the producer, and I would like to show, just to verify Mr. Blair's comment on the allocation of the allotment, I

would like to show you how I appropriated mine this past year, this crop year. On one farm, which the Agriculture Department has, I have 7.2. My total allotment is 863.2.

Mr. JONES of Missouri. In other words, that is your producer allotment?

Mr. NELSON. That is my producer allotment.

On one farm, I have 7.2. On another farm, I have 292.5; on another farm, I have 60.3; another farm, I have 406.8; and another one, I have 87.4. These are all different farms that we either have leased or under our control, that these allotments are allocated to.

Mr. JONES of Missouri. On that farm where you have 7.2 acres, how do you justify the expense of the water there? You have to have a well, I presume?

Mr. NELSON. No, sir; I am on a canal system. This particular tract of ground has an allotment, of which I pay a share to another producer to utilize his allotment, and this I add. To make the acreage work out, I had to apply some of my own allotment into this portion of a farm. These were your figures of allotments; this is the way these formed to come about.

Mr. JONES of Missouri. Now, as a rice producer, to get down to this, what is the smallest unit on which you think you can raise rice efficiently and profitably?

Mr. NELSON. Well, myself, 200 acres as a personal operation.

Mr. JONES of Missouri. How about this 7 acres? Is that a profitable operation?

Mr. NELSON. This is on a leased tract of ground and I have also—you see, I pay this fellow a percentage of the crop, 11 percent of the crop for use of his 200-acre allotments. This is actually a 207-acre tract of ground that is being farmed. Just like here, it is 300 acres of total land, 220 cropland. But I only allocate 7.2 as a farm acreage.

Mr. JONES of Missouri. In other words, you could not just farm 7.2 acres and make a profit?

Mr. NELSON. Well, under total production, where it was close to other acreages, I could; yes, sir. Because, you see, your farms are allocated by owners or by areas. They use aerial maps, and different ones leasing different tracts of ground determine the farms.

Mr. JONES of Missouri. Any questions?

Mr. STALBAUM. I was intrigued on the point that you give him 11 percent of the crop for the use of—did you say 200 acres of allotment?

Mr. NELSON. Yes, sir.

Mr. STALBAUM. Where does that allotment go, onto one of your other farms?

Mr. NELSON. No, sir; it went on this one here that I put 7.2 on. This other fellow applied his allotment area for 11 percent of the crop.

Mr. STALBAUM. I see. Thank you.

Mr. JONES of Missouri. Thank you very much.

STATEMENT OF H. G. CHALKLEY, LAKE CHARLES, LA.

Mr. CHALKLEY. I am H. G. Chalkley, rice producer from Lake Charles, La.

The question of this small acreage is more pertinent in Louisiana than it is anywhere else, and in the area of southwest Louisiana, the acreage allotment is on the farm. The statement as to the number of small allotments I believe needs a little clarification, because in our country, the farms have been split up by virtue of inheritance, and yet they are operated by one individual. He may be a member of the family or he may be somebody renting the farm. But still, each allotment is given to the individual because he owns the specific piece of land. So that where you see allotments of 10 acres, 15 acres, you will find that actually, the size of that farm in operation is from 50 to 60 acres, rather than the 10 to 15 acres that show up on the allotment sheet.

Now, this proposed legislation, and I refer only to Louisiana, would create one of the most drastic economic problems that we have. Southwest Louisiana, particularly around Crowley and Abbeville, are particularly dependent upon the rice crop, and that is it. They have no other crop, they have some cattle but they have no additional crop. There is very little industrial development. If the farmer does not make a living, the rest of the community does not make a living. And Louisiana, as Mr. Blare has so aptly put it, with an average yield of 3,300 pounds per acre, cannot exist at a price of \$3.60 per hundred pounds. It will force a very drastic economic shift and probably a population shift if such a thing were put in.

I wish to thank you for allowing me to make that statement.

Mr. JONES of Missouri. Thank you, Mr. Chalkley.

Is there anyone else from this particular group here?

Give your name to the reporter, please.

STATEMENT OF W. R. CARDIFF, KATY, TEX.

Mr. CARDIFF. I am W. R. Cardiff, rice producer, Katy, Tex.

Gentlemen, in order that I may not take up too much time of the committee as a rice producer, I, as well as a number of other producers in my area, am concerned about a feature that has not been brought to the attention of this committee. This problem is one of financing rice production operations on the part of the individual producer.

Now, as you gentlemen must surely realize, you have heard mentioned the cost of a combine of some \$13,000, the cost of a tractor \$5,000 to \$9,000, and the related costs of other equipment are equally high. No rice producer is capable of paying for a combine or a tractor or anything in 1 year.

Under the present program, there rice producers in the United States have had the opportunity to operate in a relatively stable type of situation. They knew approximately what their acreage was going to be. They knew approximately what the level of price support would be. Their financial institutions were able in evaluating the loan to this producer to determine whether it was a sound loan, whether they were able to finance additional combines, or whether it was time to call the loan of the producer if he did not make ends meet.

Now, I am concerned in the certificate plan, where we have a threat to the domestic market, and that as this domestic market would decline, if all the testimony I hear is true, so that your percentage of certificates would decline, you are talking about a change in blended

price on an annual basis of a domestic price in one year of one figure, a world market price of another. This ratio and percentage changes.

The Secretary has discretion to move the domestic level of support from 100 to 65 percent, from zero to 100 percent on the other end. No bank or no farmer can soundly operate his business or make any sound plans for capital investment in his business under this type of situation. If there were some reasonable guarantee such as under the present program that he could look to the future in the next 3 years or 4 years, and amortize an investment in a piece of equipment, or in the case of land or in the case of any expenditure he might make, this program might make sense, gentlemen. But as it now stands, I do not see that any financial institution can with any degree of success arrive at what a substantial loan would be.

I believe, gentlemen, this is about the only point I would like to make as a rice producer and representing other farmers in my area.

Mr. JONES of Missouri. We want to thank you for your contribution in giving us that additional information.

Is there anybody else in this group who would like to testify?

We want to thank you, gentlemen.

We shall next hear from Mr. Richard J. Bender, vice president and director of purchasing, Anheuser-Busch Co.

STATEMENT OF RICHARD J. BENDER, VICE PRESIDENT AND DIRECTOR OF PURCHASING, ANHEUSER-BUSCH, INC.; ACCOMPANIED BY DWIGHT D. INGAMILLS, GENERAL COUNSEL

Mr. JONES of Missouri. Proceed, Mr. Bender.

Mr. BENDER. Mr. Chairman, members of the Rice Subcommittee, Anheuser-Busch has requested the opportunity to appear today before this subcommittee in order to fully explain its opposition to title III of the administration's proposed farm bill.

First, I should like to point out that this matter is of extreme importance to Anheuser-Busch because of our prominent position in the rice market. We estimate that Anheuser-Busch will use approximately 110,000 tons, or 73 percent of all of the brewers rice available in the United States in the year 1965. Further, Anheuser-Busch is reported to be the largest domestic purchaser, by volume, of the total amount of rice sold in the United States. Accordingly, the proposed legislation, in our considered opinion, will have an extremely serious impact upon the financial resources of Anheuser-Busch. As we foresee the consequences of this legislation, it is quite possible that Anheuser-Busch will be required to pay an additional \$10 million annually for its supplies of brewers rice.

When one considers that labor costs are constantly on the rise and that the cost of most major materials have risen sharply during the past 6 months, and the fact that we are unable to pass these increased costs on to our millions of consumers, an additional \$10 million annual cost for rice could seriously affect our ability to compete in the marketplace.

It could perhaps be argued that since almost all other raw material costs are increasing, Anheuser-Busch should not take particular exception to an increased cost for rice. However, gentlemen, let me point out that rice differs from barley and hops, and bottles and cans

and cartons in that it is a premium priced adjunct used by only a very few breweries and for which there is an acceptable substitute. Both rice and corn are used by breweries as a source of simple fermentation sugars. The sugars from the adjunct, in effect, dilute the concentration of malt materials and reduce their concentration in the final beer. The addition of the adjunct makes possible the brewing of a lighter beer preferred by the American consumer. Although rice is preferred by Anheuser-Busch because it contributes no flavor of its own and therefore insures the flavor image of Budweiser established with our consumers for over 100 years, corn is used by many brewers.

Now, let's look at the record for a moment. To the best of our knowledge, in the year 1955 there were 65 breweries using rice. By 1960 there were 16 breweries using rice. In the year 1965 there are only seven breweries using rice and only two breweries using rice exclusively as an adjunct. It is a fact, gentlemen, that the vast majority of breweries have switched to the use of corn grits over the past 10 years because they could no longer afford to use rice.

So that you may better understand why only two breweries today use rice exclusively, let me project the economics for Anheuser-Busch. Assuming an annual usage of 110,000 tons of adjunct, to use rice costs Anheuser-Busch approximately \$7 million annually, or an annual differential of \$3. Gentlemen, these figures are based upon the current cost of brewers rice—\$4.25 per hundredweight in the South.

This is a premium which we are currently willing to pay because we recognize rice as the most perfect adjunct. At the same time, we recognize that many of our competitors produce a good beer while using corn grits as an adjunct. As a matter of fact, while we use rice exclusively as an adjunct to our Budweiser, we use corn grits in our Busch Bavarian product.

Over the past several years we have regularly reviewed the cost of our using rice instead of corn grits, and based upon the current differential we have decided to continue with the use of rice. However, title III of the proposed farm bill has caused us to thoroughly review this decision.

We have been advised that the Department of Agriculture does not feel that this proposed legislation will result in an increased cost for brewers rice. We should like very much to share in this belief, but at the same time we recognize that the rice millers will be forced to pass on their increased costs to the consumers.

We are a very large consumer and, furthermore, we are in the unenviable position of using a byproduct commodity where demand is well in excess of supply. For example, the States of Louisiana, Texas, Arkansas, and California produce annually approximately 150,000 tons of brewers rice and this is only 40,000 tons in excess of Anheuser-Busch's annual requirements. However, there are six other breweries requiring brewers rice and, accordingly, all of us are forced to purchase premium priced rice, screenings or second-heads which, from a brewing standpoint, have no increased value over regular brewers rice.

Finally, Anheuser-Busch has had to resort to importing foreign rice and during the year 1965 we have purchased 36,000 tons of imported rice, or approximately 32 percent of our total annual requirements. Therefore, it is our firm belief that the rice millers, if this proposed legislation is enacted, will make every effort to raise the price of brewers rice.

Gentlemen, we are not here to tell you that any increase in the price of brewers' rice will result in Anheuser-Busch's switching to corn grits. We believe that rice is the finest adjunct for beer and we intend to make every effort to continue using rice. But at the same time, recognizing that we are already paying a \$3 million premium, it would be foolhardy to assume that Anheuser-Busch will accept additional increased costs which we believe this legislation will inevitably bring without giving extremely serious consideration to the use of corn grits. Should the differential become too burdensome, there is no doubt in my mind that Anheuser-Busch will find it necessary to forsake rice, and the rice industry will have to find some other market for some 110,000 tons of rice annually and face an extremely serious loss of revenue.

Gentlemen, Anheuser-Busch does not take issue with the administration's intent in proposing this rice legislation. We recognize that the Federal Government must make every effort to reduce its expenditures, but we do take issue with the inevitable results of this particular legislation from the standpoint of Anheuser-Busch for the following reasons:

(a) We will suffer greatly increased costs for a commodity which is already priced at a premium because demand far exceeds supply.

(b) There is no doubt in our minds that further increases in the differential between rice and corn grits will inevitably mean that we will no longer be able to afford to use the best adjunct for Budweiser, and the net result will be a loss of consumer acceptance for our product and the loss of an extremely important market for the rice millers and the ricegrowers.

Thank you very much.

Mr. JONES of Missouri. Thank you, Mr. Bender.

How long has Anheuser-Busch been using rice in their beer?

Mr. BENDER. Mr. Chairman, that came in with bottled beer in about 1878 and has been used exclusively ever since.

Mr. JONES of Missouri. What is the difference in the price that you pay for this imported rice and what you pay on the market here?

Mr. BENDER. The imported rice and the price of that I have been using are delivered prices, St. Louis. The imported price of rice today is about \$5.50, equal to the price, let us say, of \$5.50 in the South. In other words, the current price for brewers' rice in the South is \$4.25. Imported rice costs about \$5.50. We have been buying that because it keeps us from buying rice that is priced at \$5.75 in the South, which is called second heads or mixable broken.

Mr. JONES of Missouri. Well, you mentioned the fact that you might go to corn grits instead. With that difference in the price of foreign rice, would that cause you to make that switch, do you think, or do you think the difference between what you are paying for the domestic brewers' rice and imported brewers' rice, is there enough difference there or could you anticipate that you could get enough imported brewers' rice at the price that you are paying, or do you think that price would be affected also by the increased price in the domestic brewers' rice?

Mr. BENDER. Yes, Mr. Chairman. I believe this, that imported rice is not a reliable source of rice for Anheuser-Busch year in, year out. Some years, it is readily available. Other years, it is not.

I also believe that if the price of domestic rice increases as a result of this legislation, there will be a great tendency for imported rice to rise with it.

Mr. JONES of Missouri. The law of supply and demand would be in effect there?

Mr. BENDER. That is correct.

Mr. GATHINGS. Mr. Bender, I want to thank you for a very fine statement. I want to say to you as one member of this subcommittee, I am mighty happy to see Anheuser-Busch stick by its guns and continue to want to deliver to the consuming public a quality product.

Mr. BENDER. Thank you very much, sir.

Mr. GATHINGS. Off the record.

(Discussion off the record.)

Mr. GATHINGS. I appreciate your statement. It is good to have you come here and give us the benefit of your thinking. At present, right now, the whole total production in this country, as you said, some 150,000 tons of this broken grade of rice is used by your brewery?

Mr. BENDER. That is right.

Mr. GATHINGS. And there would be quite an adverse effect on your operations if you had to pay the increased price should this legislation be approved?

Mr. BENDER. Mr. Gathings, there is no way of foreseeing what that increase would be. We estimate that it could possibly double our costs for rice from \$10 to \$20 million a year.

Mr. GATHINGS. And you are paying \$3 million a year premium right now in order to continue to get rice for Anheuser-Busch Budweiser?

Mr. BENDER. That is right.

Mr. JONES of Missouri. Mr. Stalbaum?

Mr. STALBAUM. Is there any other use that you know of for the 150,000 tons of rice now used by the brewers?

Mr. BENDER. As I understand it, sir, and I am not an expert in this field, I understand that it would have to be sold for feed at about half the price that the brewers are now paying for it.

Mr. STALBAUM. The reason I asked that, it would not seem likely, then, based on the normal economic marketing law of pricing, that the price would likely increase substantially in a new program? Rather, that the increased costs of it would be moved into other types of rice?

Mr. BENDER. I do not agree, sir. The fact is that there are two breweries, we being one of them who are very closely wedded to rice. The rice millers will have to obtain this reimbursement for their increased costs from someone. If it cannot be had from Kellogg's, if it cannot be had from Gerber's, it is going to be had from Anheuser-Busch and Coors.

Mr. STALBAUM. You are putting the shoe on the other foot, so to speak, here on that. Actually, my disagreement with you would be on the premise that if the only other outlet is for feed, and feed is not a likely outlet because it is competitive in nature with other feeds, it is not likely to show a drastic increase in price, but rather a permissive increase in price and be sellable as feed, then it would strike me that the rice mills would prefer, they would almost have to sell this to you at some price which you are willing to pay.

Mr. BENDER. Sir, I might restate it in a different way. There are two breweries whose success has been outstanding in the last 10 years,

and before, and they are both rice beers. I think the rice millers are well aware that we are not about to give up rice for a long time. Knowing that, certainly their attempt will be to get as much as they possibly can for their rice from us.

Mr. STALBAUM. That is all.

Mr. JONES of Missouri. Do you have a question, Mr. Walker?

Mr. WALKER. No, thanks.

Mr. JONES of Missouri. Mr. Bender, I want to thank you for appearing here and thank you for this statement.

There will be other breweries who will appear here tomorrow morning. They have asked to appear and will probably say something along this same line.

Did you have a question, Mr. Heimbürger?

Mr. HEIMBURGER. No.

Mr. JONES of Missouri. Next is a group of ricegrowers of California, Mr. Joseph Alioto, Mr. Rictor, Mr. Harris, and Mr. Lauppe.

STATEMENT OF JOSEPH L. ALIOTO, PRESIDENT, RICE GROWERS ASSOCIATION OF CALIFORNIA, SAN FRANCISCO

Mr. ALIOTO. Mr. Chairman, we are going to let you kill five birds here with one stone. We have in mind your admonition not to repeat things, so that the written statement filed by me will not be read literally. I will just give you certain highlights on it.

I am Joseph L. Alioto, president of the Rice Growers Association. I have with me Mr. Adam Rictor on my left, who is a ricegrower in the southern area of California; Mr. Lorris Lauppe on my left, who is a ricegrower in the area north of Sacramento, and Mr. Harris, who is a ricegrower in the area around Sacramento. To my right, I have Juan Penagericano, who was the former director of economic stabilization in Puerto Rico. He is a kind of price control administrator, as we would call him. He has recently vacated that position, and RGA has brought him here, because we feel he has a certain economic analysis to give you that will startle you and show the real injustice of this important legislation for two reasons.

First of all, we think it is unworkable and is going to cause the kind of market difficulties that Mr. Stalbaum just pointed out a moment ago.

Secondly, it is unjust because it soaks the poor. There is no other way of putting it. It soaks the poor for the purpose of subsidizing the poverty program.

Let me say first of all that the Rice Growers Association of California is an agricultural cooperative of 1,800 members. It handles approximately 60 percent of the California crop. The average grower, we will take an average, now, of all our members—the average grower farms 100 acres. Now, actually, we have very big growers, we have medium growers, and we have small growers. We have growers who handle 30 acres and we have growers who handle 3,000 acres. And it represents a good cross section of the entire California rice industry.

The members of RGA own the mills. They own the mills in California, they own the warehouses and the driers, they own two ships, two ships to handle bulk rice, and they own a large mill in Puerto Rico. They own the brand names.

And Congressman Jones, the next time that Uncle Ben comes to your mind, you ought to bear in mind that we have a brand in Puerto Rico called Sello Rojo, or Red Seal. We like our friends from the south and our friends from Uncle Ben, but I think you ought to remember that, too, Red Seal, or Sello Rojo.

Mr. GATHINGS. If you will pardon me, Arkansas has some fine products.

Mr. STALBAUM. Off the record.

(Discussion off the record.)

Mr. ALIOTO. It is an integrated cooperative, right from the farm all the way through to the consumer.

Let me just say a word about the structure of the California industry itself. The California industry, for all practical purposes is 100 percent cooperative. The two cooperatives in California—that represented by Mr. Leahy, who spoke earlier—and that represented by the group at our table—we are four directors of it—handle about 85 percent of the California rice. But because in recent years we have returned better than the dependent market, the only way the commercial mill can buy rice is to buy it on the basis of what the cooperatives return. So for all practical purposes, we are dealing in California with an industry that is 100 percent cooperative, or, to put it another way, the grower gets paid on the basis of whatever the cooperatives return.

Now, let me say a word. Congressman Jones, I am just going to state the facts about this. This is the first time we have had a chance to have any say on this bill. I am just going to state the facts without making any inferences. As far as we are concerned, the Department of Agriculture has always been very, very cooperative. We have in the past had a very fine working relationship with the Department of Agriculture, and Mr. Jaenke is one of the ablest public servants it has been our pleasure to run into. There is no doubt about that.

But I just want to state the facts objectively. Sometime in January, we were told to attend a meeting of the Rice Advisory Committee. That is that Rice Advisory Committee—there were four growers from California who are members of the committee, and Mr. Leahy and I are so-called technical members of that committee. Before we came, we had heard we were going to talk about some new kind of rice legislation. So I called the people I usually talk to in the Department of Agriculture, and said I would like to have something in writing if it exists, or some indication of what we are going to talk about at that National Rice Advisory Council meeting in January.

I was told nothing in writing existed and told that the best thing I can do is maybe read the wheat program and that may give me some ideas.

So all of us show up in January at this Rice Advisory Committee meeting, without any notion in advance as to what we were going to have to consider. We were at that time for the first time presented with the outlines of this program. We were told at that time that it was not in writing. The day before we inquired about it, and were told it was not in writing.

After its presentation, there were serious objections made there, and I inquired as to whether or not they were going to have the opportunity to go back home, talk to our growers about this thing, analyze and study the effects of it, and then come on back to the Department of

Agriculture to present our views and also to present alternatives if we believed that alternatives should be presented.

I got at that time a "maybe yes" and a "maybe no" answer as to whether or not we were going to have an additional meeting before this was sent in to Congress. It turned out that we did not have that meeting.

Then, about 3 weeks ago, the entire rice industry, both southern and California, had a meeting in Houston at which, for the first time as a group, we considered this bill. After considering this bill, we came to the determination that we had to oppose it. So we wired the Department of Agriculture and said we would like an opportunity to come to you to present our views on this bill and to present our alternative suggestions as to what should be done.

The Department of Agriculture replied by wire that they saw no further reason for a meeting; if we wanted to submit things in writing, we were free to do that, and then indicated that perhaps hearings would be held here.

Congressman Jones, I have just stated those facts objectively. I am not making any inferences from them or insinuations from them. That is exactly what happened. But it does support, I think, Mr. Blair's statement and my present statement that this is the first opportunity we have had to really present our views on this question.

At the conclusion of my talk, so this will not be a critical thing, I am going to suggest an alternative procedure to perhaps get the views of both the rice industry and the Department of Agriculture coordinated. If somebody would very frankly tell us, "Look, gentlemen, we have to get \$50 million somewhere for the poverty program," if somebody would tell us that and then say, "We are going to have a meeting in Washington and we want you to tell us, want you to help us find that \$50 million," I am convinced, knowing the past history of the very fine cooperation and coordination between the industry and the Department of Agriculture, I am convinced that we can come up with an answer that is workable and that will not be unjust in the sense, again, as I say, that it soaks the poor to subsidize the poverty program.

Now, with respect to the actual effects of this program on domestic commerce, there are some figures that I think are very revealing.

It is said we are going to soak the domestic consumer in order to get the money to support the foreign program and to support the poverty program. There are approximately 20 million hundredweight of milled rice, 20 million hundredweight of milled rice, that is distributed in domestic commerce. It breaks down in this fashion: There are 3.5 million in Puerto Rico. That includes a certain portion distributed by the Government, about 200,000. There are 3.5 million in Puerto Rico. There are 6 million in the State of Hawaii; there are—that is 600,000, I am sorry; 600,000 in the State of Hawaii. There is approximately—that is 3.5 million in Puerto Rico, 600,000 in Hawaii; approximately 10 million throughout the United States. That is sold as table rice.

Then, there is about 2.2 million that is sold to the cereal manufacturers and other processors, and there are 3 million that is sold to the breweries.

Now, we are told it is from that group we are going to have to raise enough money to save this \$50 million.

When you analyze it, you will see that Puerto Rico is a disproportionate share in that group. Congressman Stalbaum has just made

some suggestions to the effect that maybe this \$5 cannot be passed on entirely because there are always the realities of the marketplace to worry about. I think Congressman Stalbaum is correct about that. So, we are going to have certain dislocations. But it does mean that Puerto Rico is going to share a disproportionate part of this so-called subsidy.

Let us analyze that. There was an editorial in the San Juan Star of April 1965 which made the following point: That the U.S. Government now proposes to put a tax, in effect, of \$1.5 million on the Puerto Rican consumers, and thereafter proposes to give them back \$7 million under the poverty. This is just exactly what is going to happen under this bill.

Now, we brought this up to the Department of Agriculture in our advisory committee meeting in January, Congressman Jones, and we were told very frankly that Puerto Rico was something that troubled them, that was a real problem to them. It does not have to be said here, but perhaps it ought to be emphasized that in Puerto Rico, while it has a commonwealth status, we are still talking about American citizens and we are still talking about American policy, and we are still talking about people who are subject to the military draft, and talking about a commonwealth which is a member of the same customs union as the United States, so whatever tariff restrictions apply in the United States also apply in Puerto Rico.

The point made by Puerto Rico is that we are going to tax them \$15 million of the \$50 million that we need for the poverty program and we are going to send them back \$7 million. If that appeared in a bill of itself, I do not think any Congressman would sign it or vote for it. Yet, that is the actual practical effect of what we are talking about here.

Since this was presented, the Caribbean has become an even more sensitive area than it was at that time. I do not think I have to point out to anybody that there are some Yankee-hating people around the Caribbean area. You can see what a Red propagandist could do with the argument that here is the U.S. Government in its poverty program proposing in the Caribbean to soak the Puerto Ricans \$15 million so they can give them \$7 million back. These are just straight economic realities that I think have been ignored here but, if we have a chance to sit down with the Department of Agriculture, can be worked out in a proper alternative.

There are 25 million petitions from Hawaiian consumers that are going to be presented—25,000, I am sorry. We are dealing in these figures today—it is hard to speak in anything but millions apparently; 25,000 petitions are going to be presented by Congresswoman Mink tomorrow to the Speaker of the House, signed by Hawaiian consumers, that they vigorously protest the notion that they should be soaked for the purpose—that is my language—that they should be charged for the purpose of subsidizing the poverty program or any other kind of a program.

In the Honolulu Advertiser of April 29, 1965, there is an editorial on this bill, entitled "Hard to Swallow." On any analysis, it does become quite hard to swallow. That is the situation so far as Hawaii is concerned.

Now, I want to point out that we have made in California very strenuous efforts to develop these markets. In the early 1940's the

California rice industry had 20 percent of the Puerto Rican market—20 percent of the Puerto Rican market. We gave up and sacrificed the much more lucrative export markets of the immediate postwar era for the purpose of developing our markets in Puerto Rico, and, today, California has approximately 75 percent of the Puerto Rico market. The price of rice has remained at a fairly constant level since 1953 in Puerto Rico so far as the consumer is concerned, despite the tremendous inflation which has taken place since that time, and it has remained that way because, among other things, Rice Growers Association alone spent \$6 million in a bulk project.

We have our own ship called *The Rice Queen* that transports 15,000 tons of rice in bulk. We have built bulk facilities in Sacramento and Stockton, and we have built a \$2 million mill on the waterfront in San Juan, P.R., for the purpose of cutting our shipping costs almost in half. So, we have been able, so far as that consumer is concerned, to keep approximately an even pricing, even though the inflation would have dictated a higher pricing.

So, I say we have made tremendous sacrifices in order to build up that market. Now, we are told overnight, you have to change your price from \$10 on the one hand to \$15 as though that is not going to cause some serious market dislocation.

I say, quite aside from the injustice of soaking these poor people and giving them only half in return, it simply ignores as well the realities of the marketplace. It cannot be done without these serious dislocations.

Let me talk awhile about the cereal market. We have sold in the past year approximately a million hundredweight of rice to the cereal market. We could have sold that same rice to Japan at a higher price. We chose not to do it for the same reasons that we made those sacrifices for Puerto Rico in the 1940's because we believe the cereal market is an ever-expanding thing, and there are new uses for rice being developed, new rice commodities.

Now, all of a sudden, if we have to turn around to the cereal manufacturers and say "You have to carry your proportionate share of what we are told must be the increased price," namely, \$5, it is plain to us that they are going to stop all of the research on rice in connection with new products and concentrate on corn where they do not have the problem of having their price bumped up 50 percent overnight.

Now, something has been said about the cost of this program. First of all, the accounting has already been, I think, explored and exposed—not only explored but exposed—fully by Mr. Blair. This notion that the rice community should be charged with \$180 million of expenditures simply does not stand up under analysis. Last year, the total amount of money spent on the California rice industry, the total amount of money spent was slightly more than \$6 million. I claim that it did not cost the Government even that \$6 million. With that \$6 million we were able to get, to make sales to Japan and Okinawa, both dollar markets, of \$30 million. The Government export subsidy contributed approximately \$6 million of that \$30 million. So, it means because of that export subsidy of \$6 million that the United States received back from Japan and from Okinawa 23 million hard American dollars. That 23 million hard American dollars flowed back into the United States, plus the \$6 million that

was received by the subsidy, constituting, of course, \$30 million of taxable income in the United States. And even if you apply a 20 percent factor against that \$30 million, it is perfectly plain that the taxable income generated by that arrangement, both in Okinawa and Japan, offset the subsidy that was actually given by the Department of Agriculture in connection with this program.

So that we say that while on the books, it looks as though they gave us \$6 million to carry on this program, and that is all we received in California actually, when you analyze it in this way, it is an investment that was well worth it to the United States as a whole in the total picture.

I will say one other thing: We have put no rice under support. We do not anticipate in the future that we are going to do that, for the discernible future in any event, so long as the export program continues to work as it does. We could have sold an additional 100,000 tons of rice, or an additional 2 million bags of rice to the Japanese, if we had it, because it is the type of rice they prefer. It is a Japanese-type rice. It is called Japan-type rice, or was prior to the Second World War, and it is now called the Pearl rice or Cal-Rose rice.

That is the situation in California as it applies to the picture, and this is a practical suggestion, Mr. Congressman, that I would like to make:

Since we really have not had an opportunity to explore these alternatives with the Department of Agriculture, and I am sorry that the question I asked this morning was never answered—that is, How did this bill come about? We were frankly interested in the answer, and we were waiting for it, and we never got the answer.

But quite aside from that, since we have never had this opportunity, we would respectfully suggest, so far as Rice Growers Association is concerned, that you eliminate title III from this bill entirely, and then you recommend to the Department of Agriculture that they frankly tell the rice industry how much money it is that they have to save under these budget requirements, and we recognize that there are budget restrictions on them. We recognize that. Just tell us how much they have to save, and then let the rice industry figure out a way within the terms of existing legislation—or even other legislation—to save that money without causing the serious market dislocations that this program would cause and without causing the terrible injustice that this program would cause by inflicting upon the poor people the necessity of raising \$50 million for the purpose of subsidizing poverty programs, or otherwise.

I think if it were done in that day, if this were eliminated and then we have a chance to sit down with the Department of Agriculture and were told specifically how much money they have to save, we could come up with a workable answer within the framework of existing legislation.

Mr. JONES of Missouri. Pardon me for interrupting. I think you have stated that you have an alternative proposal in the statement.

Mr. ALIOTO. No, I said at the end that I wanted to make this alternative proposal, that this be rejected——

Mr. JONES of Missouri. How long do you think it would require, say, if we do have you sit down with the Department and find out what their budgetary requirements are?

How long do you think the rice industry would need to come up with some kind of alternative proposal?

I had hoped that at this hearing, sometime during today and tomorrow, we could have some of those proposals offered here.

Mr. ALIOTO. We have indicated that as an alternative to accepting this bill, we would take our chance with the powers now in the existing legislation to do it, but I think there is something in between that.

Congressman, I do not believe that these acres are here on the basis of somebody doing us a favor. I think they need rice, and I think that is why we believe this is a Department of State budget, just as has been recently recognized. I think the recent statements of President Johnson, as late as March 31, 1965, emphasized the fact that their really need rice in their foreign programs. I do not think they are going to cut back these acreages they are talking about. But rather than take this bill with its unworkability and its injustice, we would rather take our chances with the existing legislation.

It has been pointed out by Congressman Stalbaum that there is in existing legislation the power to make this \$50 million reduction. I think if we sit down with them and analyze certain of the Public Law 480 programs, it is going to be perfectly possible to make this \$50 million saving without this type of bill. When you ask me how long, if they will tell us the exact amount they have to save and set a meeting for us, say, 3 to 4 weeks from now, where everything can be carefully considered and carefully drafted, so we do not have to come back, just things off the top of our heads, I think in a meeting 3 to 4 weeks from now, we can come up with a program that is acceptable to the rice industry and will achieve the economical budgetary ends that the Department of Agriculture has in mind.

Mr. JONES of Missouri. Well, this is just my opinion, but I would think that the way this legislation has been moving and the fact that there is no cotton section, for instance, in this bill, and I think most people recognize that cotton will have to be considered, I think it would be probably somewhere in the latter part of June at the earliest before the full committee would be taking any final action on the bill. So I think there would be an opportunity, and I think that by working with the Department we might come up with something if it is necessary to do it. I just offer that as a suggestion.

Mr. ALIOTO. This, in effect, of course, requires that the Department of Agriculture is willing to explore fully with us all the alternatives and to state frankly to us how much exactly it is they have to save. If they do that, I think we can come up with a workable answer on this matter.

(The prepared statement submitted by Mr. Alioto follows:)

STATEMENT BY JOSEPH L. ALIOTO, PRESIDENT, TESTIFYING FOR THE RICE GROWERS ASSOCIATION OF CALIFORNIA

Mr. Chairman, members of the House Committee on Agriculture, ladies and gentlemen, the Rice Growers Association of California, a grower-miller cooperative with a membership of 1,800 growers produces and mills over 60 percent of the California crop. Of this production approximately 60 percent is sold in domestic markets and 40 percent in export.

The association in its varied role of grower, miller, and marketer has made a thorough study of all phases of title III. Our considered judgment is that the certificate plan as proposed is both unwise and unjust and would be destructive to the rice industry. It is, therefore, opposed by our membership. The association is in accord with the expressed aims of House bill 7097, but believes these

objectives can be better accomplished under the framework of existing legislation which already provides the Secretary with discretionary powers to reduce both Government expenses and surpluses and to promote trade.

Title III makes drastic changes in present rice price support legislation and authorizes the Secretary to set the support price at any level between 0 and 100 percent of parity while current law authorizes the Secretary to set the support rate between 65 and 90 percent of parity. Title III establishes the minimum production allotment at 60 million hundredweight as compared to the present minimum of 1,652,596 acres. Under existing law, the national rice acreage allotment could be cut not more than 10 percent while the proposed certificate legislation based on current national field yields could cut the allotment over 20 percent. Title III provides supplemental income to rice growers in the form of domestic allotment certificates, having a cash value representing the difference between the support price and any level between 65 and 100 percent parity, at the option of the Secretary. Growers would receive these certificates on that percentage of their production that the domestic market represents of the total market for the U.S. rice crop. This share initially would be 35 to 40 percent.

The Secretary has indicated that in the first year of the program he will set the value of the domestic allotment certificates at 100 percent of parity, thus pegging domestic prices at that level. Under the self-liquidating plan of the certificate program whereby mills must purchase processor certificates for all rice moved in domestic markets, the price of milled rice in the domestic market during the first year of operation would necessarily be increased approximately 5 cents per pound at the mill level. Since the price of California milled rice at the mill level averages between 9 and 10 cents per pound, the result would be an increase of over 50 percent in free on board mill prices. There would be an additional increase in prices approximating 20 percent to domestic consumers representing normal markups in the various channels of trade.

Proponents of the certificate plan have justified much of this proposed legislation on the basis of projected average results which sharply distort the effect not only on the rice industry but on consumers who will bear the burden of higher retail prices. As a prime example, the Rice Growers Association has sold historically an average of 60 percent or more of their rice in domestic channels as compared to the national average of less than 40 percent and this is true of the entire California industry. This bill fails to reflect therefore the marketing history and policies of the individual States in selling their rice. While we do not question that the national average of domestic sales has been from 35 to 40 percent, we do oppose a certificate plan which would provide domestic allotment certificates to California growers based on the national average rather than California's own historical average. The result of this legislation is to transfer farm income from those States selling most of their rice in domestic channels to States which have historically marketed most of their rice in export. It is our belief that a truly fair certificate plan would provide domestic allotment certificates to growers in each State based upon each State's historical record as a component of the national average. California's historical record reflects the success of the Rice Growers Association in developing domestic markets resulting from a long-term policy of cultivating domestic outlets through intensive merchandising and rigid quality control.

We have made our own vast expenditures in advertising to develop our brands and have made substantial investments such as in Puerto Rico where we constructed a large bulk plant and transport our rice to that market in our own bulk self-unloading vessel. Our investment in Puerto Rico alone approximates \$6 million.

This has also been accomplished as a matter of policy by selling rice to domestic food processors at lower prices than we might have received in export with the assistance of Government export subsidies. This policy has been beneficial to our Government since taxpayer assistance has been minimized as our domestic markets have increased over the years.

According to Department of Agriculture statements, the cost of processor certificates to be purchased by rice mills would result in an increase in the price of rice by 5 cents per pound and since the Department states that the average domestic consumption is only 7 pounds per person, the added cost would be only 35 cents annually to the average consumer. Here again, the mistake of depending upon broad averages is obvious. This oversimplification fails to recognize the gross inequities of such a plan because of the failure to give consideration to the salient fact that rice is a basic food consumed in greatly varying quantities in different parts of the United States with the result that the

burden of financing the certificate plan would fall disproportionately on limited segments of our population having the lowest per capita income. As an example, in Puerto Rico which consumes 3,500,000 hundredweight annually or one-sixth of total domestic use, the average consumption is 140 pounds compared to the national average of 7 pounds. It is obvious that an average of 140 pounds in Puerto Rico indicates that many Puerto Ricans consume in excess of 200 pounds. In Hawaii, which uses 600,000 hundredweight, there is an average consumption of 100 pounds. This is based on a population which includes many of the military and it is well established that in many Hawaiian families, the per capita consumption will approximate 200 pounds annually. The same situation exists in many Southern States, California, and particularly in New York City, where the per capita consumption will approximate 100 pounds, among some groups, emphasizing again the self-evident fact that many families consume far more than the average in their State or the Nation.

We are attaching editorials appearing in the San Juan, Puerto Rico Star and the Honolulu Advertiser expressing the reaction of two areas consuming over 20 percent of the national usage.

During recent years the use of rice by food processors, particularly manufacturers of breakfast cereals and baby foods, has been increasing rapidly. Rice, however, is only one of the grains used for processing purposes and is presently higher in price than any of the competing grains. The Rice Growers Association has been for years the largest seller of rice to the processing industry, and it is obvious that an increase in the cost of rice of more than 50 percent would have an immediate restricting effect on usage because of consumer resistance. The result also would be a reduction in manufacturers' outlay for advertising and merchandising to offset the increased price of rice. There would also be a reduction in expenditures for research in the development of new use products.

In the milling of rice, approximately 10 percent of the milled product is in the form of small broken which accumulate in the milling process. The sole outlet for these small broken are a few of the Nation's larger breweries who have been ready buyers of our production. In the brewing process either corn or rice may be used. An increase in the price of brewers rice above present levels which would be necessary under the certificate plan would result in the loss of our only markets for brewers rice to corn. Our only other domestic outlet would be the sale of this valuable food product for animal feed.

It is reported that the Government expended \$180 million on rice programs last year, most of which was under Public Law 480. It is our belief that foreign aid programs should not rightfully be charged against agricultural appropriations, but instead should be included in our foreign aid budget.

We should like to emphasize that all California rice exported in the past year has been shipped to dollar markets with a subsidy cost of approximately \$6 million, a very small portion of the \$180 million expended on rice programs. It is also notable that California will not have placed rice under price-support loans during recent years and there is little likelihood that any will be placed under loan in the coming several years. With domestic sales of California rice expanding and with all available surpluses being exported to dollar markets, California ricegrowers therefore are deeply concerned about any departure from existing successful programs. We are also greatly concerned that the certificate plan, if adopted, would present grave enforcement problems at all industry levels as the opportunities for deviation would be great whereas the present program is relatively free of such problems.

Our members support sound efforts to accomplish savings in the Federal budget. However, we believe it would be shortsighted and self-defeating to inaugurate a program which would have the effect of restricting the expanding use of rice. California growers have historically grown rice with the primary object of selling in the domestic market and unwise agriculture legislation could negate the efforts of our industry in California over many years.

The loss of domestic markets under the certificate plan would have serious cumulative effects since the amount of domestic allotment certificates would decline proportionately with resultant loss of grower income and increased Government expenditures required to handle surpluses.

It is our belief that it is basically unfair to place the burden of rice price-support and foreign-aid programs upon the shoulders of segments of our population for whom rice is the most basic food and who are least able to endure the additional cost.

Under existing law, the Secretary has several administrative alternatives for reducing costs. These include the reduction of price support, reduction of acre-

age allotments, reduction of Public Law 480 programing and the encouraging of dollar exports. A limitation on double cropping would also provide large savings. The Rice Growers Association urges that the Secretary exercise his present discretionary powers to utilize any of these alternatives and that certificate legislation proposed in title III be eliminated from House bill 7017.

Thank you.

[From the San Juan Star]

PROPOVERTY PROGRAM

A bill in Congress, H.R. 7097, would more than destroy all the benefits of Puerto Rico's share in President Johnson's antipoverty program if approved in its present form.

The measure, designed to establish a two-price system for rice consumed on the mainland and that which is exported, would raise the price of rice to island families by possibly as much as 5 cents a pound. The objective of the administration is to eliminate the export subsidy paid annually to keep U.S. rice competitive in the world market.

What it would do to Puerto Rico is to compel consumers here to pay about \$15 million more annually for the 300 million pounds of rice that make up a major staple of the Puerto Rican diet.

Compared with the \$6 or \$7 million estimated to come here under the anti-poverty program, this added burden on island families would wipe out by double the intended assistance under the President's war on poverty.

Under its present rate of consumption, Puerto Rico consumes 140 pounds per capita of rice which means a per capita increase for rice alone of \$7 annually. The average consumption per capita in the mainland United States is 7 pounds by comparison, which means that the burden would be infinitely smaller except in New York City where consumption is about 40 pounds per capita as it is in some Southern States. In Hawaii, which would also be hit as a "domestic" market, consumption is about 100 pounds per person.

The result of this program would be to place the major burden on Puerto Rico, Hawaii, and certain parts of the mainland United States where the large consumers of rice are, unfortunately, those with the lowest per capita income.

This is especially true in Puerto Rico where rice is a basic part, often the only food, in the daily diet of thousands of impoverished families. To impose on these families an additional cost annually of \$15 million, most of which would necessarily come from the lowest income sector of the population, would be tantamount to a betrayal of the President's avowals of concern for those citizens now living in poverty.

The Commonwealth administration, the Resident Commissioner, and the island's friends in Congress should make every effort to avert this serious blow to Puerto Rico.

[From the Honolulu Advertiser, Apr. 27, 1965]

HARD TO SWALLOW

It's doubtful if the national administration contemplated the special impact in Hawaii of the rice price increase in the omnibus farm bill now before Congress.

This will work a special hardship on Hawaii consumers and it is right that proper protests are being made.

Senator Daniel Inouye and Congresswoman Patsy Mink have objected to Secretary of Agriculture Freeman. Congressman Spark Matsunaga is on the House Agriculture Committee which is considering the bill.

More than 100,000 signatures have been gathered on petitions at local supermarkets and will be sent to Washington. The city council has also passed a resolution opposing the rice section of the omnibus bill.

The bill would increase rice prices about 5 cents a pound as part of a plan to shift \$200 million in price supports from the Treasury to the consumer. For the average American this means about 35 cents a year.

Hawaii's case for special consideration rests on the fact we are far above this figure, which is based on average U.S. consumption of about 7 pounds a year. Hawaii average consumption is over 100 pounds per person annually.

Since some families here don't eat rice, it means that the average rice-eating family in Hawaii will be hit even harder.

Congresswoman Mink estimates that the impact on the average family here would be 15 times that of the average family in the Nation and the cost to rice-eating families here could run to \$50 a year.

Hawaii should have some outside support for modifications in the bill. Consumption in the South averages 50 pounds a year, far above the national average. The same figure is true of New York City, because, industry sources say, of the number of Puerto Ricans. Puerto Rican consumption averages a whopping 140 pounds a year.

The Rice Growers Association of California, which sponsored the petitions here, is protesting on several grounds, including the view that Government estimates of the "average" impact don't recognize the special impact in Hawaii.

Mr. ALIOTO. Mr. Glen Harris, who is the director of the Rice Growers Association, has a statement.

Mr. JONES of Missouri. Excuse me a minute.

Mr. Stalbaum, do you have any questions?

Mr. STALBAUM. Before you move to that, in the light of the chairman's question, do you not feel that the Department, by proposing a program that will reduce the costs about \$50 million, has already indicated their budgetary area?

Mr. ALIOTO. If that is it, we will accept that figure as the figure they have in mind. I think we can come up—

Mr. STALBAUM. It certainly seems to me that way, on the basis of the testimony this morning and the language they have in the bill. This may be subject to some negotiation.

Mr. GATHINGS. Will the gentleman yield on that point?

Mr. STALBAUM. Yes.

Mr. GATHINGS. There have been an awful lot of figures going around. But there is some room, really, for a little leeway or discrepancy there in connection with those figures.

Mr. STALBAUM. I think we are in agreement. They have come up with a basic starting point, dollarwise. At least, they have ideas on it, and this is not the issue. Therefore, if they wish to proceed with the meetings, in line with the chairman's suggestion, that part can be solved, I think, quite quickly. If they want to get in some other program in that budgetary area, I think there is time to do it.

Mr. GATHINGS. Now, the other group will be heard tomorrow.

Mr. Alioto has made a marvelous statement in behalf of the California people. He is well versed in the subject, but we have other types of rice grown in other parts of the belt. We have the type of rice that is grown in the mid-South area and the far South that is a little different from the rice that is grown in California. Until such time as the people are heard from who have come from those regions that grow that long-grain rice as well as the medium-grain rice, we could not talk too much about a compromise.

Mr. ALIOTO. I do want to indicate, Congressman, that there is no difference in the viewpoint between the California and the South viewpoints. For example, that example I gave of the \$30 million of Japanese and Okinawan purchases, that example I gave a while ago can be duplicated in the South in connection with their dollar markets. That analysis is as valid for the South as it is for California. We are together with the South on our views on this bill. We have a consensus of opinion with the South. There is absolutely no difference between the viewpoint of California and the southern rice industry on this bill.

As I pointed out, we met in Houston 3 weeks ago, and we solidified that position, and requested this meeting with the Department of

Agriculture and were denied the meeting. So, there is no difference between us on that.

Of course, there are a little different problems, because California does not deal in Public Law 480, title I transactions. We have had none in the past year, and do not anticipate any in the immediate future, either, since all of our export rice is going into dollar markets. But our position with the South is as one.

Mr. POLANCO. May I ask a question?

Mr. JONES of Missouri. Surely.

Mr. POLANCO. I understand that those editorials from Puerto Rico were included in the record?

Mr. JONES of Missouri. They will be included. They will be made a part of Mr. Alioto's statement, yes. They are attached to it.

Mr. POLANCO. Thank you.

STATEMENT OF GLEN R. HARRIS, DIRECTOR, RICE GROWERS ASSOCIATION OF CALIFORNIA, RICHVALE, CALIF.

Mr. HARRIS. Mr. Chairman and members of the committee, before I get to my statement I would like to make the comment that I think we should not take some round figure like \$50 million as necessarily the right answer, until we have heard all of the analyses of just how this might be attained. I suspect it is more of a hope than an expectation, when it comes right down to it, so I think we had better look a bit further at the amount that might be involved.

My name is Glen R. Harris, and I reside near Richvale, Butte County, Calif. I am presently a member of the National Rice Industry Advisory Committee. I am presently and have been for 30 years a director of Rice Growers Association of California. My family has planted a rice crop near Richvale each year since 1913, and I myself have done so each year since 1924.

Perhaps I might add that from 1939 to 1948 and from 1953 to 1964, I was a member of the California State committee that handles the rice program in the State of California.

I am greatly concerned about the effect on rice farmers and the rice industry of the proposals contained in title III of H.R. 7097.

(1) While I agree with the desirability of attaining parity prices for farmers in the marketplace, and believe that generally it is only fair for consumers to pay prices which will return to farmers parity for their products including rice, I am deeply concerned about the practical results of the proposed processing tax or certificate to be imposed by the terms of H.R. 7097 on our industry. And I am sorry, Mr. Chairman, I shall probably repeat a little bit, but I would like to read it rather than pick parts out of it, if I may.

Mr. JONES of Missouri. Proceed.

Mr. HARRIS. The consumption of table rice is not evenly spread among consumers, but is concentrated largely in the low-income segment of the people of certain areas. Hawaii and Puerto Rico are two of these which are supplied by our California industry and in major part by my association. The average figures as to increased costs due to the imposition of the processing tax do not, therefore, tell the story accurately for the low-income families of these areas. They would pay a much greater extra cost than the 35 cents per person per year

quoted. The very people who are to be assisted by the new poverty program will be required to pay an extra amount for their basic food which will largely offset any help given by the poverty program. In fact, I understand that while Puerto Rico would pay about \$15 million per year more for the rice it uses, poverty program grants would only provide about \$7 million to Puerto Rico.

I am afraid that resentment and resistance to these higher costs would result in a serious reduction in consumption, and would largely nullify the time, money, and effort which Rice Growers Association of America of California and the rest of the industry have expended over many years to promote and develop these markets.

I am also convinced that there is little possibility of achieving increased prices from the broken rices sold to brewers or from the very substantial quantities which we sell to breakfast cereal processors. These markets are highly competitive with other grains, and we will lose them if any such substantial increase in price is attempted while other grains, particularly corn, continue to be available at about present price levels. I therefore believe that if we try to raise the prices anything like the required \$5 to \$6 per hundredweight required to finance this proposal, we will lose a good part of our domestic consumption.

(2) I am concerned about the degree of discretion given the Department of Agriculture by H.R. 7097. Ricegrowers would still be subject to strict acreage allotment and marketing quota controls and penalties but we would not be assured of any minimum level of support, such as the 65 percent of parity provided by present law. Instead the Secretary could set a level anywhere from zero on up to parity on loans and anything from 65 percent of parity on certificates. Also, if the higher prices for domestic rice result in reduced utilization, as I believe would occur, the Secretary, under H.R. 7097, has complete authority to reduce the domestic percentage year by year. The reasonable conditions necessary for a favorable vote on marketing quotas are no longer present. Farmers nowadays must plan more than a year ahead and the changes from year to year will cause resentment.

I am seriously concerned, Mr. Chairman, that we would disrupt the support of the rice industry, the rice farmers, for a good controlled program if we enact this legislation, and we might find ourselves in some of the difficulties wheat got into a couple of years ago.

(3) Much has been said of the high cost of the present rice program, in comparison with wheat and other programs. The Department states that the cost of the rice program is about \$100 per acre, or $2\frac{1}{2}$ times that of the wheat program. It seems to me that production costs per acre and production food per acre should also be considered. The harvested yield per acre of wheat, by the Department, is about 27 bushels per acre, or 1,620 pounds, while the average for rice is 41 hundredweight, or 4,100 pounds, just about $2\frac{1}{2}$ times as much. Production costs per acre are also higher for rice, again about $2\frac{1}{2}$ times, and farm value of the average production is 3 times as high for rice as for wheat, so it would seem that even though both programs could possibly be improved, on other bases than acres, the comparison is not so disturbing.

Further, out of the total cost to the Treasury of the rice program, quoted as about \$180 million in 1963, about \$115 million—I should

correct this figure; I said about \$115 million; I am informed this morning that it is \$126 million—about \$126 million was for costs involved in Public Law 480 shipments. So far as California production is concerned, very little of it has been shipped under Public Law 480 in recent years, so we have not shared directly in this cost, but on a national basis it seems to me that this cost should not be used to condemn the present rice program. Rice has a peculiarly important place in our foreign aid and food-for-peace programs, and perhaps in some cases performs as great a service for our foreign policy as guns and missiles, which also cost the Treasury considerable sums.

I might make a comment here in furtherance of what Mr. Blair said this afternoon, that he give you some history, but he did not go back as far as I think would be interesting. During World War II we had not only price ceilings on rice in this country but rationing of rice in order to make available rice for our foreign commitments. I happened to be involved in some of that thing at that time, and we had difficulty supplying rice to hospitals and other medical needs during World War II. A lot of the expansion in the rice industry of this country came about as a real need during World War II that encouraged us to expand the production and perhaps got us into some of our difficulties with too large an industry for our domestic consumption. But it was a result of a direct national need and an encouragement by the Government and the Department of Agriculture during World War II. I think the committee should keep this in mind.

In summary, I am convinced that the proposals for rice contained in title III of H.R. 7097 will result, within a short time, in lower incomes for ricegrowers, either through reduced domestic consumption and reduced prices or buildups in CCC stocks and carryover with resultant acreage reductions, or a combination of the two, and that the desirable goal of obtaining parity prices directly from domestic consumers will probably not be attained by the proposed methods. Instead, the industry will be demoralized, and domestic consumption will be lost.

I therefore respectfully urge the committee to eliminate title III from the bill.

Thank you.

Mr. JONES of Missouri. Thank you, Mr. Harris.

Mr. ALIOTO. Mr. Adam Richter is one of the directors of the Rice Growers Association from Southern Valley of California.

STATEMENT OF ADAM RICHTER, DIRECTOR, RICE GROWERS ASSOCIATION OF CALIFORNIA

Mr. RICHTER. As a rice producer for many years and a director of the Rice Growers Association of California, I am only one of thousands of California growers opposed to the certificate plan.

Title III provides the Secretary with broad discretionary powers to determine the amount of support to be received by growers and, aside from 60 million hundredweight to be used as minimum production, almost complete authority in decisions to be made in the operation of rice programs.

California growers are opposed to that provision of title III which provides for grower marketing certificates to be issued on the basis of national averages of domestic and export sales. For many years, the

bulk of California rice has been sold in the domestic market with the result that Government costs, under price support programs, for California growers have been at a minimum. While the emphasis on domestic distribution has resulted at times in lower returns to California growers, it has been our brief that less reliance on Government financing is the soundest basis for a prosperous agriculture.

Title III proposes to provide grower marketing certificates on the basis of 35 to 40 percent of our allowed production which is the national average of sales in domestic markets. Since sales of California rice have averaged historically close to 60 percent in domestic markets the proposed policy of providing certificates on a national average basis transfers farm income from California to these States selling the lowest percentage of their production in domestic markets. Since acreage allotments to each State are based on history, it would be more equitable to allocate grower marketing certificates on the same basis. California growers oppose the proposed national average method as discriminatory and contrary to the Department of Agriculture's present policy of allocation.

While other witnesses will discuss numerous objections to the provisions of title III, I would like to emphasize to the committee that California growers are virtually unanimous in their opposition to title III in entirety and recommend that the economies needed should be developed under provisions of present legislation.

We trust the committee will give full consideration that California rice has not been placed under loan for several years and none is anticipated to be placed under loan in the ensuing crop. Only \$6 million has been expended in the form of export subsidies for California rice in dollar markets this crop year out of a total expenditure of \$180 million. This speaks eloquently as to why California farmers prefer the continuance of the present program with economies to be accomplished under its provisions.

Thank you.

Mr. JONES of Missouri. Thank you, Mr. Richter.

Mr. ALIOTO. Mr. Lorris Lauppe is a Rice Growers Association director from the area north of Sacramento.

STATEMENT OF LORRIS LAUPPE, DIRECTOR, RICE GROWERS ASSOCIATION OF CALIFORNIA

Mr. LAUPPE. As a long-time rice grower, and a director of the Rice Growers Association of California, I am but one of the thousands of California growers who are opposed to the certificate plan included in title III. While other witnesses will discuss objections to the many phases of title III, I will cover but a few.

California rice growers have prospered under the provisions of present legislation and with a minimum of Government expense as compared to the total national cost. We have grown varieties of rice salable in domestic and dollar export markets, therefore limiting the need for Government expense in Public Law 480 programs. While we support efforts to reduce Government expenditures we advocate that economies be accomplished under existing legislation.

Title III establishes a program providing minimum production of 60 million hundredweight which divided on a national yield basis

would reduce the minimum acreage from 1,652,596 acres to 1,308,044 acres and could reduce the national acreage allotment by as much as 20 percent.

California growers are the most efficient in the Nation and recent average yields in excess of 50 hundredweight per acre are greatly in excess of the national average. Future acreage allotments under title III would be based on national average yields which could consequently reduce the acreage of the most efficient producers, a very uninviting prospect to California growers. Any legislation restricting acreage certainly should not penalize efficiency.

Title III has other regressive effects since, in discouraging the domestic sales of rice through the imposition of a milling tax on domestic shipments, it will cause a reduction of grower marketing certificates in coming years, thus further reducing farmer income.

Both growers and millers are greatly concerned with the obvious potential enforcement problems under title III at both the grower and mill level. Administrative and enforcement staffs of the Agriculture Department will necessarily be increased to cope with such problems. Our present program is virtually free from problems of compliance.

As a farmer, I am opposed in principle to any Government program which imposes a consumer tax, to be borne by those least able to pay, to finance either rice support or foreign aid programs. Foreign aid programs rightfully should be financed by Government appropriation, thus insuring that the burden will be borne by all equitably. Support programs also result from governmental policy to provide farmers with income in relation to other segments of our population and should be financed as a part of the Federal budget and not imposed unfairly on low-income groups.

California rice growers support all sound efforts toward economy in the agriculture budget but urge that these efforts be directed in such a way that the low-income consumer of rice and the efficient California rice industry not be mostly affected as would result in title II.

Thank you, Mr. Chairman.

Mr. JONES of Missouri. Thank you, Mr. Lauppe.

Mr. ALIOTO. Mr. Chairman, Rice Growers Association has invited Mr. Juan Penagericano, past director of the Economic Stabilization in Puerto Rico. As I say, he is kind of a price support administrator.

STATEMENT OF JUAN PENAGERICANO, PAST DIRECTOR, ECONOMIC STABILIZATION, PUERTO RICO

Mr. PENAGERICANO. Mr. Chairman and members of this Subcommittee on Agriculture, please excuse my English that I learned in Philadelphia while I attended the University of Pennsylvania when I obtained my degree in bachelor of science and economics. I shall give you some background of the controls or the periods having controls in the past.

During World War II, I was Chief Attorney of the OPA—during the Second World War.

After that, I was chairman of the Public Service Commission of Puerto Rico, appointed by the Governor.

During the Korean conflict, I was recruited again by the U.S. Government, and I was Chief Counsel of the OPS all during the duration of that conflict.

Then, later, I was appointed by the Governor of Puerto Rico as Administrator of the Economic Stabilization of Puerto Rico. That is an agency that has controls, price controls, rent controls, weights and measures, and all types of controls. That gives you my background on this type of legislation.

Last night, when I came from Puerto Rico, I decided to stay at the hotel and read this bill, 7097. I read the bill three or four times, and I tell you it is really complex. It is complex in reading, and I am sure it will be complex in its practice.

I have brought here a statement which I am going to read on behalf of the consumers of Puerto Rico.

I am speaking on behalf of 2,350,000 consumers of rice, residents of Puerto Rico. Rice that is enriched with certain vitamins and mineral elements by legal requirement approved in 1952, is one of the main staples of our population. The yearly consumption per capita is 134 pounds. Although this average consumption is high, still the individual consumption of the poorer classes is much higher, close to 150 pounds. The consumption per capita in 1955 was 135 pounds which shows that the preference for rice has been maintained during the last 10 years. It has been traditionally the main staple of our consumer.

The importation of rice during 1964 was 3,217,000 hundredweight, all from the United States. Of this total, 75 percent comes from California and the rest from the Southern States, principally Louisiana. For the last 20 years all importation of rice on Puerto Rico has been totally from the United States except some minor shipments received in 1946 from the Dominican Republic.

Our present yearly income per capita is \$830, raised from a little over \$100 20 years ago. Although our income per capita is the second highest in Latin America, it is lower than that in the State of Mississippi, which is the State with the lowest income per capita in the United States. The income per capita in Puerto Rico has been raised to the present level with great effort of the combined resources of private industries and governmental development agencies. Any drain on the pocket of our consumer affects our whole economy, main reason for still maintaining in Puerto Rico a selective system of price control, initiated in 1942 during the Second World War. Although the control on the price of rice was lifted in September 1954, the price to the consumer has been maintained at 13 cents per pound. It is of great significance to note that the price of rice to the consumer has been close to 13 cents per pound since 1947, while the index of prices has increased by 30 percent.

The shippers of rice from the United States, conscious of the effect that an increase in the price of rice has on the consumer, have established on the island installations to receive the grain in bulk and process it locally. The savings in the transportation and in the process of preparation and packing have made possible the maintenance of the price to the consumer at 13 cents a pound.

On the basis of the present annual importation of rice—3,200,000 hundredweight—for commercial use, an increase of only 1 cent per pound in the price of rice represents an additional cost to our consumers of \$3,200,000 per year.

Any place in the United States where the consumption of rice per capita is as high as it is in Puerto Rico would have to oppose and object,

for its economic implications to the consumers, to an increase in the price of rice.

Puerto Rico is the first market of U.S. goods and services in Latin America; it is the second market in the Western Hemisphere, only next to Canada, and it is the fifth market for the U.S. goods and services in the world. This is the potential of the consumers on an island 100 miles long and 30 miles wide. Any legislative measure aimed to increase the cost of a product like rice should be studied very seriously and carefully when it affects deeply one of the main markets of American productivity.

The consumers of Puerto Rico do not want to suggest any other measure which would serve the purpose behind the amendment to sections 380A-380P of the Agricultural Adjustment Act, title III. The economic principle of balance of conveniences has to be considered in order to correct an economic evil without causing a worse one.

For the reasons mentioned in this brief, the consumers of the island of Puerto Rico oppose the approval of the amendments to sections 380A through 380P of the Agricultural Adjustment Act of 1938 as included in the House bill 7097 of April 5, 1965.

Sir, before closing, I want to make a remark on a statement made by Mr. Jaenke this morning.

Mr. Jaenke had the wrong approach dealing with low-income groups. He believes in programs for the groups. I object to such means when other means are available. The direct relief programs destroy the personality of the individuals. Puerto Ricans do not want relief money, they want a just treatment, and the just treatment is received by not approving title III of bill 7079.

Thank you very much.

Mr. JONES of Missouri. Thank you, sir.

We appreciate all of these statements. They will all, of course, appear in the record, together with the two editorials referred to by my colleague.

Mr. ALIOTO. Mr. Chairman, there is just one other thing on this matter of Puerto Rico. Very recently, the State Department has consented to an arrangement whereby the government of Puerto Rico imported some 1,500 tons of rice from British Guiana. We understand the political motives behind it. When the anti-Communist regime came in in British Guiana they were cut off so far as Cuba was concerned. Nevertheless, the State Department has consented to it. There are now negotiations going on for 20,000 tons of rice from British Guiana. It ought to be perfectly plain that if we have to increase that price of rice down there by \$5, we have a serious threat to the entire rice industry, both California and southern, in this type of thing. And the very substantial investments we have both made in Puerto Rico are simply going to go down the drain. We say this is one of the effects of this bill.

Our conclusion is this, Mr. Congressman, that this bill should be deleted, that this section on rice should be deleted, and after its deletion, I think we can carry on some fruitful discussions with the Department of Agriculture to achieve their ends. I am certain that the discussions cannot be fruitful so long as this bill hangs over us like a sword of Damocles. I do not believe we are going to be able to get to them on that basis.

Mr. PENAGERICANO. I have with me the statement of 60,000 Puerto Ricans objecting to this bill. I was supposed to testify tomorrow, therefore, I do not have it with me. It is in my hotel. I shall present it through Mr. Alioto or Congressman Polanco-Abreu. We shall bring it in tomorrow.

Mr. GATHINGS. Mr. Chairman, I just want to say that I am most appreciative of an opportunity to hear you gentlemen, all of you. You did a splendid job, and you brought us a point that had never been touched upon earlier in the hearings. I enjoyed so much hearing you.

Mr. ALIOTO. Thank you very much, Congressman.

Mr. JONES of Missouri. Thank you, sir.

Mr. Hagen?

Mr. HAGEN. I might say Mr. Alioto is one of the leading antitrust lawyers in California.

Mr. ALIOTO. Thank you, Mr. Hagen. It is the rice business we are trying on now.

Mr. JONES of Missouri. The next witnesses will be two gentlemen from the Seventh District of Louisiana, represented by our colleague from Louisiana, the Honorable T. A. Thompson. They are Mr. Ralph Cowan and Mr. George Hoffpauir.

STATEMENT OF RALPH L. COWAN, SOUTHWEST LOUISIANA

Mr. COWAN. I am Ralph L. Cowan. I feel that the testimony—well, perhaps I should say that I am a rice farmer, situated in the heart of the rice industry in southwest Louisiana.

I have a B.S. in agronomy from Louisiana State University. I own 120 acres of land, I farm 890 acres of rented land, and I have 334 acres in rice allotment. Altogether I have a capital investment in my farming operations of approximately \$110,000. While there are those in this Nation who farm for a hobby, farming is my mode of earning a livelihood and therefore my principal vocation in life is earning a just return on the capital investment which I have in my farming operations. May I state at the outset that I like farming and I have neither desire nor intention of terminating my operations and I appear before you today for the express purpose of opposing the proposed legislation which in my opinion is dangerous economically and could conceivably terminate farming operations such as mine if not immediately, in the foreseeable future.

The present rice program, while not necessarily the answer to all of our problems, has worked successfully for several years in maintaining a balance between supply and demand. It has permitted the marketing of rice for several years without buildup of surplus CCC stocks. There is considerable apprehension on my part over the proposal to change the present rice program, which if less than highly successful is certainly workable, to the proposed certificate plan which is untried and could have some disastrous results.

In the first instance, farmers generally abhor and fear controls, regulations, and forms, and this legislation would be a maze of bureaucratic controls. As I understand the proposed legislation, there would be a production unit established for each farm in determining the certificates to be issued to each producer and the total national minimum will be based on units of production. It is immediately

apparent that the administration of such a program would be most difficult requiring the establishment of a normal yield per acre based on past history for each rice farm in the United States. I am positive that adequate authentic records are not available for this purpose and many farmers would be unable to give the exact figures in order to base such a history. Unfortunately, many farmers would exaggerate their production and this may result in lower normal yield figures for a vast majority of honest farmers. Louisiana, the oldest rice producing State, has been unfortunate in the results of past programs and it is certainly true will fare badly in another program where yields per acre will be the measure against the newer sections where their soil conditions are much newer and more favorable to high yields. It is not right to continue to penalize us and we are not anxious to be subjected to another slash as will be the result with this program based on field yields.

Of interest to me is that portion of the proposed law which would give authority to the Secretary to reduce the rice acreage allotment of any farm if the farmer, owner, or landlord evicts or otherwise mistreats a rice tenant or sharecropper on the farm. I would like to stop and remind you of the figures that I stated in my opening remarks concerning my personal operations. I am a very small landowner and a much larger tenant, so you see this section especially pertains to my own operations. Here, you propose to strip the owner of land with one of its constitutionally vested interest under the broad authority granted the Secretary. What right does the Secretary have to determine whether or not a tenant or sharecropper has been "mistreated"? And where are the safeguards for a landlord who may be mistreated by a tenant or sharecropper? It requires no person learned in the law to know that the business of landlord-tenant is a relationship entered into voluntarily by contract, and the rights and obligations of both parties should be and are governed by the courts. You propose to enforce this by placing into the hands of the Secretary the authority to reduce rice acreage allotments as some form of punishment for the farmer who has a misunderstanding or grievance with a sharecropper. I ask you, where is the precedent, where is the justification for such an act? After all, I feel that the owners of these lands have a right to farm or use them subject only to the obligations of their respective contracts as interpreted by the court and not by the Secretary of Agriculture.

Mr. Chairman, rice is a major crop in Texas, California, Arkansas, Louisiana, and Mississippi, and about half a dozen other States have small amounts of production. It is estimated that the 1964 rice crop has exceeded \$360 million and is therefore an important segment of our farming economy. Over 50 percent of the domestic consumption of U.S. rice is consumed in direct food uses mostly by low-income families. Any program which would increase the price of rice to these low-income families would tend to drive these people to the greater consumption of other cereals and food, such as potatoes and corn, and thus greatly cripple the rice industry in America. Perhaps it is true that the current rice program costs the Government about \$180 million per year, however, it must be remembered that the greatest part of this cost is for the cost of administering Public Law 480. It must be acknowledged that Public Law 480 is used to provide a great foreign policy service to the whole United States and all citizens of this coun-

try, not exclusively those in the rice industry. The use of rice in the foreign policy field should be accepted for the contribution that it makes to the national welfare and certainly our industry should not be expected to destroy its health or the soundness of its marketing system in order to provide at the cost of the rice industry alone a program which is necessary to the national welfare and safety. While the entire citizenry of this country can bear the cost of such a program, it goes without saying that those of us in the rice industry alone cannot be expected nor can we afford such a service.

Mr. Chairman and gentlemen of the committee, in summary, we in the rice industry have been able to get along in the face of rising cost and lowering prices under the present program. It is not utopia for us but we have adjusted our mode of living and methods of operation and have learned to live within the limits of the present program. Anything which cripples the industry or reduces the net income of the rice farmer will certainly be forced to play and accept the role of the proverbial straw that broke the camel's back for it requires no great economist nor learned soothsayer to state with conviction an absolute truth that we, the rice farmers of America, have gone the last mile of the way. We cannot travel with the proposed certificate program and this country can ill afford to bankrupt the rice farmer. I feel that neither the economy of the State of Louisiana or the foreign policy of this Nation can long survive without an annual harvest of this golden grain which since the dawn of recorded history has fed more peoples of the world than all other cereals put together.

Thank you for your attention.

Mr. JONES of Missouri. Thank you, sir.

I think you have brought out some good points and the committee, I am sure, will take them into consideration when we act on the bill.

Mr. Gathings, do you have any questions?

Mr. GATHINGS. No, Mr. Chairman, but I would like to commend Mr. Cowen for a very fine statement. I think it will help us in our consideration of the bill.

Mr. JONES of Missouri. Mr. Hoffpauir.

STATEMENT OF GEORGE E. HOFFPAUIR, MORSE, ACADIA PARISH, LA.

Mr. HOFFPAUIR. Mr. Chairman, my statement is intentionally brief.

I am a small rice farmowner, but I am primarily a tenant rice farmer. I am opposed to title III of H.R. 7097 for the following reasons:

This bill proposes to maintain farm income, but I feel it can only do this if our present domestic market remains and improves. No studies have been made, to my knowledge, that will show the domestic consumer's reaction to the price increase of possibly 50 percent or more; and as this domestic consumption drops, our overall income will decrease. I feel that all of the effort and money that we producers have put into our voluntary promotion of rice, which has increased the per capita consumption of rice, will have been in vain—for I cannot believe the average housewife will continue to use as much rice with such a high increase in price.

I also feel that the small farmer, even though he is given preferential treatment under the certificate plan, will have a smaller income

after the first year because his portion of the market in the United States will decrease.

I have seen the quality of rice that is sold by other countries on the world market and our rice is far superior in quality in every way, as to weed seeds, trash, etc. I feel that if we go into this market with our quality rices at world prices, the only alternative for these other countries would be to even lower their prices in this market to maintain their exports to be competitive with rice produced in the United States.

I believe the reduction in acres necessary to limit production to 60 million hundredweight will be disastrous to the economy of our area, to the farmers as well as the related businesses. The continued rise in cost of equipment and supplies necessary to produce rice has caused an ever-decreasing margin of profit in producing rice, and any decrease in acreage would cause a great loss in revenue to all retailers in the rice-producing area.

We rice farmers are to accept the verbal statement of the Secretary of Agriculture that the domestic consumption will be supported at 100 percent of parity, but there is the possibility that we could someday have another Secretary who would not feel this way and he could reduce this support to absolute zero. I have a fear of any one man having such wide power at his discretion.

I would like to add that I cannot agree with the philosophy of our Government's certificate plan which rewards laziness and penalizes initiative. The small farmers in our area are small by choice.

Mr. Chairman, I would like to go on record as being totally opposed to title III of this bill and, as an alternative, see a continuation of our present acreage allotments with a realistic percent of parity as support.

Thank you, Mr. Chairman, for allowing me to testify before your committee.

Mr. JONES of Missouri. Thank you, sir.

Any questions, Mr. Gathings?

Mr. GATHINGS. No.

Mr. JONES of Missouri. I think that is a very fine statement. Thank you.

I think the committee will adjourn, to reconvene at 10 o'clock in the morning.

Our first witnesses in the morning will be the group from the National Brewers Association.

If there are others in the room who have not indicated to the clerk of the committee that they want to testify tomorrow, we hope that in the morning or tomorrow afternoon we can at least hear all of the views, if not from all of the individuals who are here. We want to give every segment of this industry an opportunity to be heard.

Are some representatives from the National Brewers Association here now?

Anyway, we expect them to be here at 10 o'clock in the morning. We shall get started on time and hope to complete this hearing by tomorrow afternoon.

The committee will now stand adjourned until 10 o'clock in the morning.

(Whereupon, at 4:30 p.m., a recess was taken until 10 a.m. Wednesday, May 12, 1965.)

RICE

WEDNESDAY, MAY 12, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OILSEEDS AND RICE
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 1310, Longworth House Office Building, Hon. Paul C. Jones, of Missouri (chairman of the subcommittee), presiding.

Present: Representatives Jones, Gathings, O'Neal, Stalbaum, Bandstra, Polanco-Abreu, Findley, Belcher, and Walker.

Also present: Representative Burton.

Also present: Betty Prezioso, staff.

Mr. JONES. The subcommittee will come to order.

I want to apologize for being late this morning. We had an executive session of the full committee and we were a little delayed. Before we start, I want to say that if there are any persons who are scheduled for Thursday who could testify today that if they did so, this would be helpful. We want to accommodate those who are from out of town as much as possible.

Our first witness today is Mr. Morris Bowman, vice president of the Arkansas Farm Bureau, who is accompanied by Mr. Gerald Geiger, vice president of the California Farm Bureau, and H. G. Hardee, Jr., vice president of the Louisiana Farm Bureau.

We will be glad to hear from you gentlemen now.

STATEMENT OF MORRIS BOWMAN, VICE PRESIDENT, ARKANSAS FARM BUREAU; GERALD GEIGER, VICE PRESIDENT, CALIFORNIA FARM BUREAU; AND H. G. HARDEE, JR., VICE PRESIDENT OF THE LOUISIANA FARM BUREAU, ON BEHALF OF THE AMERICAN FARM BUREAU FEDERATION

Mr. BOWMAN. Mr. Chairman and members of the subcommittee, I would like to introduce Mr. Geiger who is a rice producer and vice president of the California Farm Bureau, and Mr. Geiger is on my left, and Mr. Hardee, who is vice president of the Louisiana Farm Bureau and also a rice producer. I am Morris Bowman and I am the vice president of the Arkansas Farm Bureau and a rice producer. I guess that this is "vice presidents day."

We appreciate the opportunity to present our views on the proposed rice certificate plan.

Farm Bureau is an organization of farm and ranch families with over 1,647,000 member families in 49 States and Puerto Rico. Most of the rice producers in the United States are members of Farm Bureau.

Farm Bureau supports the provisions of the Agricultural Act of 1958 as it affects rice.

I should like to present a summary of present law and application in 1965.

The Agricultural Act of 1958 provides that:

(1) The national acreage allotment "shall be that acreage which the Secretary determines will, * * * make available a supply for the marketing year * * * not less than the normal supply * * * for 1956 * * *." (Total of 1,639,084 acres plus reserve.)

(2) "For the 1962 and subsequent crops of rice the level of support shall be not less than 65 per centum of the parity price." (Sixty-five percent of April 1965 parity is \$4.26.)

The 1965 program as recently announced provides:

(1) A national allotment of 1,819,000 acres. This is the same as for the last 3 years. (See table 1.)

(2) A national support level of \$4.50 or 69 percent of January 1965 parity.

Farm Bureau was instrumental in the formulation and passage of the 1958 act which is embodied in present law and our current policy recommends "that provisions of the Agricultural Act of 1958 with respect to rice be continued and that the philosophy of this legislation be adhered to in the establishment of future acreage allotments and price support levels."

Here is our appraisal of H.R. 7097, the administration rice proposal.

The rice proposal is modeled after the wheat certificate plan. In our opinion such plans are unsound in principle, unfair to domestic consumers and injurious to producers.

Like the wheat certificate plan, the proposed rice program would:

(1) Utilize what amounts to a processing tax to raise prices to domestic consumers;

(2) Permit the use of CCC stocks to depress prices to farmers;

(3) Make producers dependent on Government controlled and manipulated payments for a substantial part of their income;

(4) Widen and perpetuate the gap between domestic and export prices; and

(5) Distribute rights to domestic and export markets without regard to the quality of the product that is produced for the use that is made of it.

It would be hard to imagine an approach that would be more destructive of the market system.

The interests of both producers and consumers would be better served by programs which move toward more, not less reliance on the market system.

We cannot possibly build a firm basis for farm prosperity without a continued effort to improve our ability to serve customers.

The philosophy of the certificate plan is, in effect, "Let the consumers be damned. They can take whatever we want to produce, and we'll tax domestic consumption in order to subsidize the production of surpluses which are to be dumped in the foreign market."

As in the case of wheat, ricegrowers would receive domestic certificates in the same amounts on the basis of a national formula if all or none of their production is used domestically. The inevitable result of such an approach is to encourage producers to disregard domestic

consumer preferences and to stress yield at the expense of quality. Evidences of such a trend are already showing up in wheat. This is not the way to build markets.

Rice competes with many other foods, and some of the decisions that affect its consumption are made by people—such as processors and institutional buyers—who are sensitive to increases in raw material costs. A retail price increase of the magnitude that is to be expected from the adoption of the pending proposal inevitably would have an adverse effect on consumption, even though the effect on the average consumer's budget would be small. Those familiar with the lowest income are the largest consumers of rice and would be taxed the most, which is impossible to defend.

Rice: Consumption at home by households of 2 or more persons in a week (April–June 1955), United States and the South

Family annual money income after taxes	All urbanizations (rural farm, rural non-farm, urban)	
	United States	South
	<i>Pounds</i>	<i>Pounds</i>
Under \$1,000	0.53	0.73
\$1,000 to \$1,999	.55	.93
\$2,000 to \$2,999	.50	.90
\$3,000 to \$3,999	.31	.44
\$4,000 to \$4,999	.22	.39
\$5,000 to \$5,999	.19	.40
\$6,000 to \$7,999	.20	.29
\$8,000 to \$9,999	.16	.19

Source: Household Food Consumption Survey 1955. Reports Nos. 1 and 4, USDA (latest figures available).

I know the kind of evidence that has been presented to the subcommittee before, but I would like to refer to this table, if you will follow me in the copy in the testimony here. You will notice that those families with an annual income under \$1,000 after taxes, in the southern part of the country, where most of the poverty exists, consume 0.73 pounds of rice per week. And those from \$1,000 to \$2,000 income consume 0.93 pounds, and those from \$2,000 to \$3,000 consume 0.90 pounds, and those with an annual income of \$5,000 consume 0.40 pounds. And the last one in the table consumes only 0.19 pounds of rice per week. I think this very dramatically illustrates the point that we are attempting to make here.

The administration apparently has overlooked the fact that the rice certificate plan would have a disproportionate effect on consumers in Hawaii and Puerto Rico.

The “background” statement submitted to Congress says:

* * * Retail prices of rice would probably increase a few pennies per pound. Based on average per capita consumption this means that a consumer might spend an average 30 cents more for rice each year.

Since the average consumption of milled rice (excluding consumption as beer) is around 6 pounds per capita for the United States as a whole, the above statement suggests that the proposed program would increase the retail price of rice about 5 cents per pound.

In 1961–62, the last year for which we have data, U.S. shipments of milled rice for direct food use amounted to 112.7 pounds per capita in the case of Hawaii, and 124.8 pounds per capita in the case of

Puerto Rico. On the basis of these figures an increase of 5 cents per pound in the retail price of rice would cost the average consumer \$5.64 per year in Hawaii and \$6.24 in Puerto Rico. The result of such an increase in food costs would be particularly serious in Puerto Rico where the average family is much larger, and per capita income much lower, than the U.S. average.

The certificate approach is inconsistent with the objective of reducing barriers to the expansion of international trade in farm products. This involves far more than our trade in commodities covered by certificate programs.

While existing and past price support programs have made it necessary for the United States to subsidize exports of a number of farm commodities including rice, we need to be moving toward a one-price system rather than in the opposite direction.

It is naive to assume that those responsible for the foreign trade policies of other countries do not understand the nature of the certificate approach. Dr. Sicco L. Mansholt, vice president of the European Economic Community Commission, put the matter very clearly in a recent speech in Des Moines, Iowa, when he said:

We say that all the elements of domestic protection have one net result: a difference in domestic price from the world market price * * *.

Any program that maintains a wide differential between the prices charged domestic consumers and those charged foreign buyers is a form of dumping which encourages importing nations, such as the Common Market, to set up barriers against "cheap" American imports.

Certificate plans also create relationship problems with competing exporters. There is considerable validity to the argument made by our foreign competitors that the wheat certificate plan stimulates domestic production which is then dumped on their markets. The proposed rice program would have a similar effect. Thus, certificate plans strengthen the Common Market forces that favor high domestic prices and high variable import levies against U.S. products.

The Canadian Government recently decided against adopting a two-price plan for wheat. According to one report, the Canadian Minister of Agriculture stated that, in his opinion, such a policy would be economically unsound in the long run. The same report quotes the Minister of Trade and Commerce as follows:

Let us move forward not backward. Let us not imitate the mistake of our competitors [the United States] which they profoundly wish they had been able to avoid * * *. We do not intend to adopt any policies that will interfere with the efficient operation of this producers' marketing agency [the Canadian Wheat Board] or that will reduce the Board's incentive to go after markets on behalf of producers.

The Canadian Ministers were on sound ground, both in rejecting the two-price approach, and in stressing the need "to go after markets."

From the standpoint of producers, the certificate plan is a cleverly baited trap which seems to promise much more than it actually does.

Secretary Freeman has been quoted as saying that ricegrowers would get 100 percent of parity for the domestic portion of their crop. We presume he means "for the first year." In any case, he is asking for authority to set returns on the domestic portion of the crop anywhere that he sees fit between 65 and 100 percent of parity. Under the Agricultural Act of 1958 rice producers are guaranteed a minimum support

price of 65 percent of parity on the output of their allotted acres. Under the proposed program noncertificate rice (approximately 65 percent of the crop in excess of the first 1,500 hundredweight produced by each producer) would have virtually no support, and the support level could be reduced to 65 percent of parity on the certificate portion of the crop.

The significance of this broad grant of discretionary authority is illustrated by the following table:

Illustrative range of blend prices for rice (in excess of the 1st 1,500 hundredweight) under the certificate plan

[Per hundredweight]

	65 percent of crop might bring—	35 percent of crop would bring—	Average or blend price could be—
If support for domestic portion of crop is—			
65 percent of parity-----	\$3.60	\$4.26	\$3.83
100 percent of parity-----	3.60	6.56	4.64

This table simply points out the difficulty of showing that if the domestic portion of the crop was supported at 65 percent of parity, we could have an average blend price of only \$3.83, or if the domestic portion was supported at 100 percent of parity, the bin price could be as high as \$4.64.

Any additional certificates that might be distributed on the first 1,500 hundredweight produced would, of course, raise the blend prices shown above; however, the point is that the Secretary could set the support price on certificate rice as high as \$6.56 per hundredweight, or as low as \$4.26 on the basis of the present parity price.

If we go down the certificate road we could wind up with a very low average support level and a stifling maze of bureaucratic controls; whereas, growers logically should be given more freedom to run their own businesses when supports are reduced.

Mr. Freeman has also been quoted as saying that he has no intention of cutting the national rice allotment. Perhaps not, but he is asking for a change in the allotment formula which would permit a sizable cut now and further cuts in the future as per acre yields increase.

The proposal to distribute additional marketing certificates on the first 1,500 hundredweight of each producer's production is an effort to give the program a welfare flavor by increasing average returns to small producers. This is a clumsy and ineffectual approach to the poverty program.

Unlike the producers of some other crops, most rice growers are fairly large operators. Consequently, the largest portion of the extra certificates would go to growers who produce more than 1,500 hundredweight of rice.

Since rice is not necessarily the sole source of a producer's income, the volume of his rice production is not necessarily an accurate measure of his need for a Government handout. Moreover, to the extent that it encouraged growers to continue the production of small acreages of rice, the proposed program would place a premium on inefficiency.

We feel that there is no need for new rice legislation.

The rice provisions of the Agricultural Act of 1958 were developed and passed in an effort to move rice in the direction of greater reliance on the market system. Real progress was made under this act in 1959 and 1960; however, the cost of the program was increased when Secretary Freeman used discretionary authority to increase both the national acreage allotment and the support price. If additional acreage was needed to produce rice for foreign aid, an appropriate part of the cost should have been charged to foreign aid rather than the rice program.

In our opinion the rice provisions of the 1958 act are sound. We recommend that these provisions be continued in effect and that the philosophy of the 1958 act be adhered to in the establishment of future acreage allotments and price support levels for rice.

I would like to say to you, Mr. Chairman, that this is a joint statement by Mr. Geiger and Mr. Hardee and myself. I am sure that they would be happy to respond to any questions that you may have, as well as myself.

I should like to offer the tables attached to my prepared statement as a part of the record.

Mr. JONES of Missouri. It will be made a part of the record.
(Tables 1, 2, 3, and 4 follow:)

TABLE 1.—National acreage allotment, harvested acreage, support and average market price of rice, 1959–65

Crop year	Acreage		Support price per hundred- weight	Price per hundredweight received by farmers
	Allotted	Harvested		
	<i>Thousands of acres</i>	<i>Thousands of acres</i>		
1959.....	1,653	1,587	\$4.38	\$4.59
1960.....	1,653	1,596	4.42	4.55
1961.....	1,653	1,590	4.71	5.14
1962.....	1,818	1,774	4.71	5.04
1963.....	1,818	1,772	4.71	5.01
1964.....	1,818	¹ 1,786	4.71	4.93
1965.....	1,819		4.50	

¹ Preliminary.

TABLE 2.—Supply of rice (rough rice equivalent), United States, 1956–64
[In thousands of hundredweight]

Year beginning Aug. 1	Beginning stocks	Production	Total supply ¹
1956.....	34,618	49,459	84,463
1957.....	20,103	42,935	63,275
1958.....	18,169	44,760	63,093
1959.....	15,669	53,647	70,106
1960.....	12,144	54,591	67,023
1961.....	10,080	54,198	64,663
1962.....	5,334	66,045	71,418
1963.....	7,730	70,269	78,016
1964 ²	7,539	73,113	80,702

¹ Includes imports.
² Estimated.

TABLE 3.—Disappearance of rice (rough rice equivalent), United States, 1956-64

Year beginning Aug. 1	Food	Industry	Seed	Exports	Total disappear- ance	Percentage of total disappearance	
						Used for food	Exported
	<i>Thousands of hundred- weight</i>	<i>Thousands of hundred- weight</i>	<i>Thousands of hundred- weight</i>	<i>Thousands of hundred- weight</i>	<i>Thousands of hundred- weight</i>	<i>Percent</i>	<i>Percent</i>
1956-----	19,170	5,088	1,735	37,548	63,541	30.2	59.1
1957-----	19,020	4,789	1,849	18,315	43,973	43.3	41.7
1958-----	18,840	4,706	2,071	19,750	45,367	41.5	43.5
1959-----	20,708	4,950	2,092	29,233	56,983	36.3	51.3
1960-----	19,917	4,908	2,119	29,474	56,418	35.3	52.2
1961-----	22,551	4,690	2,329	29,155	58,725	38.4	49.6
1962-----	21,930	4,089	2,366	35,065	63,450	34.6	55.3
1963-----	22,890	3,843	2,380	41,375	70,488	32.5	58.7
1964 ¹ -----	23,300	3,800	2,400	41,500	71,000	32.8	58.5

¹ Estimated.

TABLE 4.—Relative importance of exports and domestic consumption to major rice-producing areas

Crop year	Domestic consumption	Exports	Total distribution	Percentage of total distri- bution	
				Consumed domestically	Exported
	SOUTHERN AREA				
	<i>Thousands of hundred weight, milled basis</i>	<i>Thousands of hundred weight, milled basis</i>	<i>Thousands of hundred weight, milled basis</i>	<i>Percent</i>	<i>Percent</i>
1958-----	9,380	10,275	19,655	47.7	52.3
1959-----	12,162	17,680	29,842	40.8	59.2
1960-----	12,031	18,246	30,277	39.7	60.3
1961-----	11,977	16,876	28,853	41.5	58.5
1962-----	12,414	20,427	32,841	37.8	62.2
	CALIFORNIA				
1958-----	6,214	3,302	9,516	65.3	34.7
1959-----	5,857	1,969	7,826	74.8	25.2
1960-----	6,336	2,641	8,977	70.6	29.4
1961-----	7,311	3,800	11,111	65.8	34.2
1962-----	5,530	4,940	10,470	52.8	47.2

Mr. JONES of Missouri. We want to thank you, Mr. Bowman, for your statement. The only comment that I have is this. And while this is not given in the nature of trying to defend or to oppose the administration's proposal, I think that your statement here in two different places indicates, or you refer to the dumping of rice. I think that is, perhaps, a little harsh statement, due to the fact that if it was not for these export sales and gifts and whatever you have in the distribution of rice, the rice farmers would be in a much worse shape and I think that rather than dumping, I think that it was a program to produce this rice for this foreign market, for political and economic, and social purposes. The only thing that I have tried to do

with each of these people who have appeared here is to call their attention to the statement of Mr. Jaenke yesterday in which he stated that if we went back or if we retained the present law, that we could expect those price supports at the present time would be reduced and, also, that the acreage would be reduced. And I would just like to ask if the American Farm Bureau Federation has taken that alternative into consideration in reaching its conclusions.

Mr. BOWMAN. Well, yes, sir. Of course, we have discussed this widely among the membership, as well as among the group that is testifying here. We feel that maybe this is a sort of a threat—I do not mean to imply that you are doing this, of course—you have just stated otherwise—but if I could cover both of your points, sir, I am inclined, of course, to agree with you in your reference to dumping, but we feel that, or rather the American Farm Bureau Federation feels, that there are countries, particularly in the European Common Market, which do look upon this as dumping. And so we used this term particularly relative to that area. Japan, possibly, would not be in that category. But, on the other hand, we feel that this, certainly, as has been expressed here before, that the worst that could happen under the 1958 act would be better than the proposed multiple price program. But I do not mean to imply by this that the American Farm Bureau Federation and its membership—and that is who we speak for—would be happy or pleased at all with an acreage cut and a price reduction, because we feel, as one of our tables indicates, that the carryover of rice is comparatively low, so that there seems to be a need for the rice. And as a rice farmer producing rice at 69 percent of what is said to be a fair price, we feel that we are not really priced at a high level.

I know of a few industries that operate on this margin, on this small amount of what is called a "fair price."

But, generally, the philosophy of the 1958 program was to move rice. I think that since we have shown that the Secretary has shown that there has been a need for this rice, the extra production, and that this was justified. If we are forced to go back that is what we will have to do.

Mr. JONES of Missouri. I can agree with you very wholeheartedly that in many of these farm programs the farmer has taken a lot of criticism for the cost of the program which, actually, should have been charged to other programs, particularly foreign aid and things like that. I think that we have gotten that criticism. In so many of these programs, like in foreign aid and school-lunch programs and other programs, such as gifts, so to speak, they have reacted to the detriment of the agricultural community. And I am hopeful that at some time we will get these costs, as least, charged to the program that is benefiting from it.

Mr. BOWMAN. You share our sentiments, too. You express them.

Mr. JONES of Missouri. Mr. Gathings.

Mr. GATHINGS. Mr. Chairman, I want to thank you, Mr. Bowman, for having given us this statement on behalf of the American Farm Bureau Federation.

You brought out two very important matters in your testimony. Particularly, the issue on the broad discretionary powers that the Secretary would have under this legislation.

On page 6 of your statement you illustrate that well in showing that 65 percent of parity that the crop might bring and what 35 percent of that crop would bring at 100 percent of parity, and what the blend price would be in each instance. That would be the extremes of it at one end to the other, the smaller or the larger of that discretionary power which the Secretary has or would have.

And then the other matter that was so well presented, as I see it, is that the hammer falls upon the person who is least able to take the blow, that is, the poor people.

Thank you.

Mr. JONES of Missouri. Mr. Findley.

Mr. FINDLEY. Mr. Bowman, I, too, want to compliment you on your statement. I am sure you understand that the reason for the proposed change was to reduce the cost of the program to the American people. Do you have any comments as to what this certificate program would cost the American people if it is enacted?

Mr. BOWMAN. No, sir; I do not have at hand an exact figure, but if we would figure the average cost at 5 cents per pound, times the domestic consumption, I think that we can see that we simply are transferring the cost from one segment of the population, which would be all of the taxpayers, to a group of poor people, relatively so, who would have to bear this whole burden.

It seems to me in effect that we are transferring some of the costs of foreign aid from the general public to the rice-consuming poor people. They are not all in Puerto Rico, either. We have a lot of Puerto Ricans, I understand, in New York City, besides some poor people in Arkansas.

Mr. FINDLEY. The administration conveyed the impression that this would cut the costs about \$40 million to \$50 million. I cannot see how this would come about when we consider the cost to consumers as well as to taxpayers.

I wonder if you have any estimate on that?

Mr. BOWMAN. Could I ask Mr. Geiger to answer that?

Mr. FINDLEY. Yes.

Mr. GEIGER. I think that your problem—I think that you are probing for something different.

My name is Harold Geiger and I am a rice farmer from California, as previously noted.

You should understand, also, that you are now setting up a new relationship with the growers, in statistics which will require additional personnel in the ASCS departments in the States to develop the historical averages of production by poundage.

Also, you are going to have to set up in the Department personnel to police this relationship.

You now have the processor in this program who sells the rice, because you have to police the certificate program.

I cannot tell you what it will cost, but I have heard some figures that the initial group will take another \$1 million.

Mr. FINDLEY. It is assumed that the income to the rice producer will remain the same for a given quantity of rice. If that is assumed, then we must, also, assume that the cost of the program will remain at least as high as at present.

Mr. GEIGER. I would say that it would go up.

Mr. FINDLEY. It would go up?

Mr. GEIGER. You are setting up two new relationships that we have not had in the past. You are now going to have to get all of the history; that is, you have got to get it recorded on the poundage basis which has not been done before. And I expect from experience, as a former ASCS chairman in the county in which we live that you would have difficulty doing that. We have kept it on an acreage basis heretofore. No setup has been made as provided for in this law for poundage quotas for the individual groups or growers in the areas. So this will have to be done. And this is time consuming and costly.

Of course, without past accurate history this will not be accurate, either. And when you rely on the farmer's memory as to what he got for a given year it will be a little difficult.

Mr. FINDLEY. On page 5 of your statement, Mr. Bowman, you referred to the problem in policy, particularly, in our efforts to keep the trade doors open, and you stated further—

Any program that maintains a wide differential between the prices charged domestic consumers and those charged foreign buyers is a form of dumping which encourages importing nations, such as the Common Market, to set up barriers against "cheap" American imports.

We have that problem today, do we not, under the present program?

Mr. GEIGER. That is correct.

May I comment on that?

Mr. FINDLEY. Yes.

Mr. GEIGER. It seems ironical that at the present and the very thing that we are asking, particularly, the members of the European Common Market not to establish, these same price supports, in order to set up trade barriers against us, where we send a high proportion of our various crops into those communities, that we are asking them not to set up this disparity between the domestic and the import world markets, and then we, in turn, are proposing the same thing. so that, certainly, whoever is sitting in at these discussions have had their power cut for negotiation.

I would like to quote one thing. This was brought out all day yesterday, and if I could add to it a couple of remarks at this time, Mr. Chairman, I should like to do so.

First, on this transfer cost. This is not a money-saving program. I would quote from the Secretary's testimony before the committee—this particular committee—on April 6, and it is in paragraph 4 of his statement:

It is to reduce the cost of farm commodity programs in order to free more public resources for the war on poverty, for education, for housing, and for the many other programs designed to help people in rural and urban areas.

You will, also, note in the testimony that has been given from the various areas of the States that the very people who are purporting to help with this relief of funds, a budgetary item transfer, if you please, that they do not intend to give them as much as they intend to take away from the farmers in the area. To ruin a going industry, upset its markets, and then actually transfer to the people in poverty in the area, is not going to solve anything.

The other area that I believe Mr. Findley—you were the one that asked about it, I believe, and some of the others—where the farmers

are in support of this program—where are they? Someone asked the question yesterday, I believe.

As a member of the ASCS committee and, primarily, in a rice-growing country, I am acquainted with any number of rice growers. And in my present capacity I travel quite widely. I have yet to find one rice grower in the State of California who would come to you and ask for this particular bill.

Mr. FINDLEY. May I ask the other gentlemen if they have had any expression of support for this proposal from any rice growers at all?

Mr. HARDEE. None whatsoever. We had a called meeting of rice producers because of the time element and we explained the basic philosophy of the certificate program. We have had no favorable comment received from any of the rice producers, rice-producing people in my area.

I would, also, like to comment on your question of a little while ago on dumping. We do have a program now, to answer your question, where we subsidize exports. And they are very controlled and, certainly, well taken care of insofar as you are able to take care of this type of a problem, but this program, the certificate program, would magnify the difference between the domestic price and the price which we sell abroad. It would set it up there where we could really have a big differential between them. And this is the thing that hurts us in this field—hurts more than our present program does.

Mr. FINDLEY. Thank you.

Mr. JONES of Missouri. Mr. O'Neal.

Mr. O'NEAL. Mr. Bowman, on page 3 of your statement you are referring to a table, your column headed "South." What geographical area do you refer to there?

Mr. BOWMAN. Well, generally, to Mississippi, Alabama, Georgia, the Carolinas, and Louisiana.

Mr. O'NEAL. Distinguished from the United States?

Mr. BOWMAN. Yes, sir. [Laughter.]

Mr. O'NEAL. Do you include Arkansas?

Mr. BOWMAN. No.

Mr. O'NEAL. One other question, Mr. Bowman. When you were calculating your figures on the United States did you include those States, too?

Mr. BOWMAN. Yes, sir.

Mr. O'NEAL. Then it would make a difference in the average if you included them or did not include them, would it not?

Mr. BOWMAN. Yes, sir; it would.

Mr. O'NEAL. Of the figures for the United States; that is, are the figures for the United States figures for the whole of the United States—does it include all?

Mr. BOWMAN. All of the States; yes, sir. The reason we made the two columns is because it happens to be that, perhaps, most of the poverty seems to be in southern areas and we were making a point that here is where most the burden would fall because they are the heavy consuming eaters of rice in this particular country.

Mr. O'NEAL. Thank you.

Mr. JONES of Missouri. Mr. Belcher.

Mr. BELCHER. The chairman asked you if you had taken into consideration Mr. Jaenke's statement that price supports and the allotments might be reduced. Well, the price supports, under this bill, could be reduced under 65 percent, could they not?

Mr. BOWMAN. Yes, sir; they could, certainly. Could I ask Mr. Hardy, too, to respond to this question?

Mr. BELCHER. Yes.

Mr. HARDY. Sir, I think one point maybe that would help answer this question and clarify it. We have been hearing this over and over again that price supports under the present bill can be reduced to 65 percent parity, which is true. Today, the average support price for this year, 1965, is about 69 percent of parity. In 1961 when we had \$4.71 price supports for rice, it averaged 78 percent of parity. And the same \$4.71 in 1965 represents 72 percent of parity.

As costs go up parity goes up.

In November of this past year, 1964, parity was \$6.35 on 100 percent of parity. Parity was \$6.35 last December, and \$6.50 in January. So we are going to be at 65 percent of parity at the present support price of \$4.50 within a couple of more years if the cost trend increases, whether they decrease this support price or not. We will be there. This is the point that I do not think has been made clear, that we are gradually going down.

Mr. BELCHER. The question was you could do the same thing under the certificate plan that you do under the present plan, could you not?

Mr. HARDY. You can go much lower under the certificate plan. This is the other part of the question.

Of course, from 65 to 100 percent is on domestic share only. You could look at the figures here on the blend price, and get the minimum that this could go down to under the certificate plan. Very much lower than the present plan, of course.

Mr. GEIGER. May I comment further to that question?

Mr. BELCHER. Yes.

Mr. GEIGER. We are talking about this possible cut. I would like to refer to table No. 2 at the end of our presentation for the figure for 1961. This was the year in which the Secretary chose to increase by 10 percent the acreage allotment and at the same time to increase price supports. It is interesting to note that at that time we had, approximately, 3 million more bags carryover of rice than we now have. Now they are talking about cutting—does this make sense?

In reading the analysis of the bill, and reading the instructions of Mr. Johnson and his desire for these things, it is rather interesting to note that he indicates that we will need more rice. And with the projected increases in yield I do not see how we would be considering a rice cut, so far as acreage is concerned. We will fully support this if this is what the record shows we need. It is rather interesting from the Department's own figures and from what they intend to do with the rice, that they would indicate a decrease.

Mr. BELCHER. That is all.

Mr. JONES of Missouri. Mr. Stalbaum?

Mr. STALBAUM. In your testimony, on page 7, you say "since the rice is not necessarily the sole source of a producer's income," you then go on with an explanation and refer to a "Government handout." I do not like the word "handout," but it is your word. Yester-

day when Mr. Blair testified he stated that "first I would point out to the committee that with some exceptions rice is the only major crop grown in the rice-producing area. In general it is a one-crop economy."

I would like to get clear in my own mind is it or is it not a part of a varied production?

Mr. BOWMAN. Mr. Hardy would like to answer for Louisiana.

Mr. HARDY. In Louisiana it is a one-crop area. I am sure that Mr. Blair was probably thinking of Louisiana and possibly Texas at that time when he was speaking. I would say that probably Mr. Bowman could tell you more about it in Arkansas and the other areas.

Mr. BOWMAN. If I may give you an example. Probably the wealthiest person in the county in which I live has a 27-acre rice allotment, I believe it is. He acquired this in acquiring some land. He is not really a rice grower, but he would be in this group that we might call the low-income and poverty group if we were looking at him from the standpoint of being a small farmer. He is not a small farmer. He is a cotton producer, primarily, but he happens to have this small rice allotment. I just point this out as an extreme example of what we are talking about. It does not necessarily indicate his need for special help, because many farmers in Arkansas, for example, of whom I have knowledge produce soybeans and cotton as well as rice, and they may have a relatively small acreage of rice, yet they may or may not be largely dependent upon this for their livelihood. In many cases they are not. If it is very small, they could not be dependent upon it.

Mr. STALBAUM. Is it the general pattern toward diversification along with rice or not?

Mr. BOWMAN. Generally, it is. I would say generally. This varies by sections. In the old rice belt of Arkansas I would say it is less so, but it, too, is diversified and they grow a lot of soybeans.

In Arkansas, I will say generally, it is diversified, but as these gentlemen have indicated in some California areas as well as in these other States, it is not.

Mr. STALBAUM. Mr. Findley asked about the main point which has been raised that is as to the cost of the rice program of \$180 million. I recognize that many of these costs have not been charged where they should be. If you think you have problems there, you ought to talk to my dairy farmers in their programs. It depends upon the way the accounting is done.

The proposal that the Department brought in will reduce the Government cost by \$50 million by transferring costs to the consumers. I do not think there is any argument there. Somewhere there will have to be a transfer of costs or funds. If we are going to reduce the tax portion \$50 million, would you prefer to have that \$50 million transferred to the producer, rather than to the consumer, on the assumption that we would have to reduce the rice program by \$50 million?

Mr. BOWMAN. This is a hard choice to make.

Mr. STALBAUM. This is the choice that you have. I want to make it clear. Let me say further——

Mr. BOWMAN. Excuse me.

Mr. STALBAUM. The point is that there are many of us who feel that \$180 million is more than we should be spending on a rice program of tax money. And we have some figures on it. In my own mind I have some. Let me say that it is \$130 million. You then have two choices.

There are no others. Either you can transfer this cost to the consumer as is proposed in the Department's proposal or it can be transferred to the producer. In that light, and without other qualifications as to whether it is good or bad, would you prefer to transfer this cost to the producer rather than transfer this cost to the consumer.

Mr. BOWMAN. Yes, sir; under such a program as proposed here we would prefer it.

I would like to expand, if I may, on this, though. I cannot go along with the promises that we have to cut \$50 million out of the rice program. We have \$1,400 million in the feed grain program; \$3,400 million in the aid program. And I think that I am expressing the view of the Farm Bureau here—I am trying to represent them—I do not think that the Farm Bureau people feel like all of this cost should be charged to farmers. It ought to be charged to foreign aid costs. I do not like the terminology of calling this the rice program cost. Of course, it is involved in the rice program, but I do not think that it is justified at all.

Secondly, we are for saving money and cutting down the budget. The Farm Bureau has testified along this line hundreds of times. But why it has to be taken on by an industry, such as the rice industry which we feel is doing a good job and working under a workable program where there is not a large carryover and there seems to be a need for the commodity. I just cannot see why. And most of the cost is borne by those least able to bear the cost under the administration's proposal.

Mr. GEIGER. May I comment further to the question?

Mr. STALBAUM. Yes.

Mr. GEIGER. In Mr. Jaenke's presentation yesterday he indicated that the reason was that this was a percentage which is different in cost between this and wheat and other programs. And to amplify what Mr. Bowman said it is unfortunate that rice happens to be the strategic material that is most needed for our foreign aid program. This further justifies the program. If rice were as large an industry as some of the others this would appear as a minor figure in the agricultural budget percentage-wise to the others.

Mr. STALBAUM. I cannot agree with that. I have trouble on that point. It has been shown that the rice program—and I am familiar with some of your points on the accounting view—that this is a factor we are now faced with and I do not see anything in the offering this year that will change this method of charging these programs. When you get into a program which on mere accounting is showing a cost so close to \$8,000 per farm, I do not think even in the feed grain program that we have a cost as high as that. To my mind this is more of a factor than the spreading of the cost around. Again, we get into the matter of accounting, I grant you. But realize that we have a program here that, ultimately, we have to make acceptable to those who are here as the consumer's representatives. Some one said that in the House we will have difficulty with this.

That is all. Thank you.

Mr. JONES of Missouri. Mr. Walker?

Mr. WALKER. No questions.

Mr. JONES of Missouri. Mr. Bandstra?

Mr. BANDSTRA. No questions.

Mr. JONES of Missouri. Thank you for your statement.

Mr. BOWMAN. Thank you very much.

Mr. JONES of Missouri. We will next hear from a representative of the National Brewers Association, Mr. Hester, their Washington counsel. I think you have others accompanying you, Mr. Coors and Mr. Rowe. You are appearing together, I understand.

**STATEMENT OF CLINTON M. HESTER, WASHINGTON COUNSEL,
UNITED STATES BREWERS ASSOCIATION; ACCOMPANIED BY WIL-
LIAM K. COORS, PRESIDENT, ADOLF COORS CO., GOLDEN, COLO.;
JAMES F. ROWE, JOSEPH SCHLITZ BREWING CO.; AND JACK C.
WELISCH, RICE BROKER, SAN FRANCISCO, CALIF.**

Mr. HESTER. Mr. Chairman and members of the subcommittee, sitting with me at the table is Mr. John Welisch, also of San Francisco, one of the largest rice brokers in the country and an authority on the subject of rice. We should like to thank you for permitting the representatives of these three members of the United States Brewers Association to present their objections to title III of H.R. 7097.

My name is Clinton M. Hester. I have been Washington counsel for the United States Brewers Association for the past 25 years. My offices are in the Shoreham Building. This is the oldest trade association in continuous operation in the United States having been founded in 1862. Its members produce 85 percent of the malt beverages manufactured in the United States.

Three members of the United States Brewers Association are testifying in opposition to title III of H.R. 7097. While each witness is testifying for his own company, the views each expresses are the views of the United States Brewers Association.

The United States Brewers Association believes that its members should have a freedom of choice of the ingredients which they use in brewing. It is the consensus of both the users and suppliers of brewers' rice that title III will result in a prohibitive cost of the grades of rice that have been economically suitable for brewing purposes. Consequently, the United States Brewers Association is opposed to the enactment of title III and urges that it be eliminated from the bill.

Yesterday, you heard testimony from Mr. Richard Bender, vice president, Anheuser-Busch, Inc., St. Louis, Mo. Today, following me you will hear Mr. William Coors, president, Adolph Coors Co., Golden, Colo., and Mr. James Rowe, director of purchasing, Joseph Schlitz Brewing Co., Milwaukee, Wis.

We should like to thank you for permitting the representatives of these three members of the United States Brewers Association to present their objections to title III of H.R. 7097.

Mr. JONES of Missouri. Thank you. We will now hear from Mr. Coors.

**STATEMENT OF WILLIAM K. COORS, PRESIDENT, ADOLPH COORS
CO., GOLDEN, COLO.**

Mr. COORS. Mr. Chairman and members of the subcommittee, I am William K. Coors, president of the Adolph Coors Co., of Golden, Colo., a brewer. My company purchases annually 3 percent of the total

domestic rice consumption in the United States at a cost in 1965 of \$3,500,000. I am here to present testimony to the effect that title III of the farm bill, as it is presently proposed, will effectively and finally eliminate my company as a user of rice and by so doing will injure its competitive position and jeopardize our very membership in the American free enterprise system.

My company occupies an unusual position in the brewing industry. We find ourselves located in the middle of a population desert. We have 500 miles of virtual desert to the north, east, south, and west of us. Our marketing situation is such that only 10 percent of our output is sold in what would be called the local market. Over 50 percent of our production must be sold a minimum of 1,000 rail-miles away, usually in the very backyard of our competition. To accomplish this, by necessity, we must produce a beer of unusually high quality.

For the committee's edification, I would now like to explain briefly the brewing process. The two essential ingredients in any beer today are barley and an additional source of neutral cereal starch. The process involves, first, the enzymatic digestion of barley and other cereal starch into sugar and, second, the enzymatic conversion of this sugar into alcohol. The first step involves the enzyme system which controls the natural germination process of barley; the final step involves the enzymatic system which controls the respiration process of the micro-organism, yeast. The usual ratio of barley to other cereal starch is about 70 to 30. As with any other product, no beer can be better than the raw material used in its manufacture. Thus, the major concern of my company as it has grown throughout the past 30 years since its rebirth in 1933, has been with the development of raw materials of unexcelled quality. For example, we have over the years developed our own exclusive variety of brewing barley. This is grown for us on the high irrigated plateaus of Colorado under contract to some 1,200 farmers. The annual crop is 3,600,000 bushels for which we pay from \$1.70 to \$2 per bushel depending upon quality, a \$7 million annual crop. We germinate or malt this barley ourselves and find ourselves completely dependent upon it to maintain our quality.

Similarly, we have found ourselves to be committed qualitywise to the use of rice as our other source of cereal starch. The alternative, of course, is corn. In recognition of the premium quality of rice over corn, we pay an average price of \$5.50 per hundredweight for rice in face of a present corn cost of about \$3.50. This is a premium cost to us of \$1,200,000 annually. We do this not because we hold any particular loyalty to the rice industry or prejudice to the corn industry, but because in our particular situation we have been unable to brew a beer with corn with sufficient quality to maintain our marketing position.

The Adolph Coors Co. has grown steadily from a humble start in 1873 when the annual capacity was a few thousand barrels of beer. Today, despite a limited marketing area including only 11 of the 48 States and selling to less than 15 percent of this country's population, we rank ninth in our industry with annual sales in 1965 predicted at 3,700,000 barrels. We hold that our remarkable success is entirely due to the consistent excellence of our product and that this excellence is dependent upon the continued use of rice as a cereal adjunct.

Now comes title III of the farm bill. According to information given us by our suppliers, we find that the annual premium we now

pay for the privilege of using rice would increase from \$1,200,000 to an absolute minimum of \$3,700,000 under title III. Also, our suppliers tell us that title III would have the effect of forcing a major portion of those rice grades now available to us for brewing purposes to disappear into food rice. Should we continue to use rice rather than corn the actual premium cost to us would be closer to \$5 million per year. I can state frankly and succinctly that we just cannot afford it. We do not feel that we can be competitive qualitywise by using corn in our beer; we know we cannot be competitive pricewise with title III rice costs. The enactment of title III as part of the farm bill presents to us a predicament to which we see no solution.

I hold that we are a company of substance representing a total capital investment in Golden, Colo., of \$80 million. We employ over 1,000 people, produce annual sales of \$130 million and we contribute annually \$45 million to the tax coffers of Federal, State, and local government. I hold that we should have a right to the free choice of materials at prices which enable us to maintain our business in a strong and fair competitive position. Title III of the farm bill as presently proposed emphatically denies us this right.

I would now like to take issue with the testimony of the U.S. Department of Agriculture to the effect that the domestic consumption of rice in this country is so inelastic that the drastic increase in consumer prices which will result from the enactment of title III will not affect the domestic consumption. I present myself as a consumer of 63 million pounds of rice annually, 3 percent of total domestic consumption, who will be unable to buy rice under title III. Under title III rice would cost me a minimum of \$9.50 per hundredweight as against \$5.50 today, an increase of 70 percent. Thus, the rice industry would be short \$6 million that I would not be paying on 63 million pounds of rice that I cannot afford to buy. As I see it, this 63 million pounds of rice would have to go into export at some \$3 per hundredweight, for a net loss of revenue to the rice industry of \$6.50 per hundredweight, or \$4 million. These figures are, of course, approximate.

Should all brewers using rice react as I will have to react, and I am sure that they will, the net loss to the rice industry will be 300 million pounds of rice at \$6 or so per hundredweight, or \$18 million, from the loss of the brewers' business alone. This money would have to be made up by the Government or by a corresponding increase in the price of the certificates for that portion of it that still can be marketed domestically.

Finally, I would like to point out to the committee the irony of a proposed law (in this case title II of the farm bill) which would deny American-grown rice to American brewers, yet grant a subsidy for export to other countries which use rice as a brewing material. I cite Japan as a glowing example. Rice exports to Japan for the 1964 crop-year will be some 400 million pounds. I present that the use of rice by Japanese brewers of sake and beer exceeds this amount.

In the view of this testimony it is my earnest request of the committee that title III be eliminated from the farm bill, H.R. 7097, and existing legislation pertaining to the rice industry be continued.

Mr. JONES of Missouri. Thank you, Mr. Coors. Let us now hear from Mr. Rowe. And then we will question you on your statements, gentlemen.

STATEMENT OF JAMES ROWE, DIRECTOR OF PURCHASING, JOSEPH SCHLITZ BREWING CO., MILWAUKEE, WIS.

Mr. ROWE. Mr. Chairman and members of the subcommittee, my name is James Rowe. I am director of purchasing for the Joseph Schlitz Brewing Co. I am appearing in behalf of my company to state how title III of the administration farm bill will affect the use of rice as a brewing adjunct.

The Joseph Schlitz Brewing Co. is and has been a user of rice as a brewing adjunct for many years. As such we contribute a substantial share to the 13.6 percent that brewers use of the domestic consumption of rice. The brewers' share of the domestic consumption of rice is second only to the share individuals purchase for food in the United States and Puerto Rico. Title III is proposing that this domestic consumption underwrite costs of the entire rice program including Public Law 480 and food for peace.

Title III, according to the administration, is expected to reduce Government expenditures for rice by \$50 million in the 1966 crop-year. This is to be achieved by transferring to the domestic consumer a sum equally as large or larger. There is reason to question the wisdom of this move for it saves the American public in general, nothing, merely a transfer. If the money to be realized from the title III program is applied equitably to all domestic users, it is certain to substantially reduce the use of brewers' rice. At present prices brewers' rice is in a sensitive area where substitution is attractive.

In addition to being a substantial user of rice we are also a substantial user of corn grits. We depend on a combination of the two as an adjunct in our process. Our brewing department has conclusively proven they can achieve the fine quality of Schlitz beer with a substitute for rice. In our multiplant operation the matter of economics is a factor in the determination of the quality of rice and corn we use. The fact we blend is an indication of the vulnerability of demand for brewers' rice to cost. A reduction in use or a complete elimination of rice for brewing will be the result of a price advance in brewers' rice.

Using \$50 million as the amount domestic users of rice will have to pay in higher costs due to title III, the brewers' share will be in excess of \$6.5 million. On this basis there is no doubt that breweries' requirements for rice would all but disappear. This would immediately reduce domestic consumption of rice by over 13 percent leaving a much smaller base to cover the cost of the program.

Consumption of 300 million pounds of brewers' rice annually represents an approximate revenue of \$13,500,000 for the U.S. rice industry. Title III enactment would result in a loss of this market and its revenue to the rice industry.

It is ironic at a time when the administration shows such an intent interest in reasonable increases in labor costs and no increase in the selling price of some items that the Department of Agriculture sponsors a program that will increase the selling price of rice products by 30 percent to over 100 percent.

Gentlemen, the Joseph Schlitz Brewing Co. proposes title III be eliminated from H.R. 7097.

Thank you for giving consideration to our recommendations.

Mr. JONES of Missouri. Thank you, Mr. Rowe. Does the other gentleman have a statement?

Mr. HESTER. He is here in case you have some questions.

Mr. JONES of Missouri. The question I have is this, I am a little confused. Do I understand that the brewers buy only brewers' rice which I understand is a kind of a byproduct of the milling of rice? Does that byproduct supply the complete needs of the brewing industry, or do you have to go out and buy additional rice?

Mr. COORS. Mr. Chairman, there are, of course, three byproducts in the milling of rice. These are called second, head, screenings, and brewers, depending on, I think, the harvesting conditions of the rice or the drying conditions of the rice, how badly the rice breaks up in milling. These are available to us from varying sources of supply.

We never can completely supply our requirements with brewers and screening. We always have to supplement with some second heads and many years we actually have to buy heads rice.

Mr. JONES of Missouri. In other words, if the brewers did not use this product as was brought out here yesterday that it would probably go into feed which would be still a lower price. And in my own mind I wonder if you would be compelled to pay the higher prices that each of you have indicated the case would be with the competition entering into this, as Mr. Rowe said—they are not dependent upon rice and they could use corn and would probably go to corn, that that would have an effect upon the supply and demands for rice. Are you satisfied in your own mind—I am sure that you are because you have it in the statement that this price is going to go up that much? That is the question in my mind.

Mr. COORS. Let me say this, Mr. Chairman, that the supply of straight brewers grade is, probably, less than 25 percent of the requirements of the brewing industry and unless these other grades of rice which the brewers use, the screenings and the second heads are perfectly satisfactory for domestic consumption and for food consumption. A certain percentage of them do, as we are told, get into this food consumption.

Mr. JONES of Missouri. But it is at a lower price than the full grain rice?

Mr. COORS. No, sir; it is my understanding that it is not. For example, I know that one of our suppliers in their package rice use 4 percent second heads. This is their maximum limit of second heads. They have told us that title III might possibly force them to go as high as 15 percent second heads in their food grade. There is nothing wrong with this rice. It is simply broken. It is not whole kernels. It is certainly palatable and very edible.

Mr. WELISCH. My name is Jack Welisch. I am from San Francisco. I should like to add to Mr. Coors' comments. Actually, the price of the second heads is such that it is customarily priced as a separate fraction of the rice milling—priced at a lower level than the whole grain.

What Mr. Coors might mean in his comment, I think, is that the mixture of second heads with whole grains becomes at a block price for the mixture.

I want to make one point here that I think is pertinent to your previous question about feed and that is, as I understand this program, it has a \$5 certificate requirement on brewers rice after it is milled. And we assume that would be rebated when it was exported. If this was the case, then the rice could go out for export at the \$5 rebate. And in addition, it would earn about \$3 export brewers. So it would have \$8.50 value.

Mr. JONES of Missouri. Thank you. Mr. Gathings.

Mr. GATHINGS. I just want to thank you for bringing these fine statements to us.

That is all.

Mr. JONES of Missouri. Mr. Findley.

Mr. FINDLEY. Mr. Chairman, I would like to clarify, if I can, what the cost of the certificate is expected to be. In the material on page 4 of Mr. Coors' statement he states that the certificate cost would be about \$4 a hundredweight. Is that correct?

Mr. COORS. Mr. Findley, that is what we have been given to understand by our suppliers; yes, sir.

Mr. FINDLEY. Do you presently have access to rice grown outside of the United States—you cannot buy it because of import quotas; am I correct there?

Mr. COORS. No, you are not correct. There is quite a bit of rice actually imported into this country. There is a provision whereby if this rice is granulated it may be brought in at a duty that enables a brewery to buy that rice.

Mr. WELISCH. I believe the duty on that is approximately 32 cents a hundredweight for the import duty.

Mr. FINDLEY. It would be a lot less than the certificate cost that you have referred to. Have you estimated what it would cost you per hundredweight to put foreign-produced rice into your plant in Colorado?

Mr. COORS. Under title III our understanding is that the certificates would have to be purchased on rice imported into this country.

Mr. FINDLEY. Assuming that you did not have to buy the certificates, what would be the cost?

Mr. COORS. About \$5.50 plus, approximately, 80 cents per hundredweight freight from a port of debarkation, which would be San Francisco.

Mr. FINDLEY. That is about what you are paying for the domestic rice now?

Mr. COORS. That is right, sir, that is right.

Mr. FINDLEY. Thank you. That is all.

Mr. JONES of Missouri. Mr. O'Neal.

Mr. O'NEAL. No questions.

Mr. JONES of Missouri. Mr. Belcher.

Mr. BELCHER. My mother was born in 1873 in Golden, Colo. I just wanted to make that comment. That is all.

Mr. JONES of Missouri. Mr. Stalbaum.

Mr. STALBAUM. No questions.

Mr. JONES of Missouri. Mr. Walker.

Mr. WALKER. No questions.

Mr. JONES of Missouri. Mr. Bandstra.

Mr. BANDSTRA. No questions.

Mr. JONES of Missouri. We want to thank you for appearing here this morning.

Mr. HESTER. Thank you, Mr. Chairman.

Mr. JONES of Missouri. We will next hear from the Rice Millers Association, Mr. Broussard, Mr. Goff, Mr. Holland, Mr. Dore, and Mr. Gaines.

Mr. GAINES. The way you talked we were on the list to appear on Thursday.

Mr. JONES of Missouri. These witnesses will appear Thursday morning then.

We will next hear from Mr. Alderson, secretary-treasurer of the Producers Rice Mill, Inc., Stuttgart, Ark.

**STATEMENT OF H. M. ALDERSON, SECRETARY-TREASURER,
PRODUCERS RICE MILL, INC., STUTTGART, ARK.**

Mr. ALDERSON. Mr. Chairman and members of the subcommittee, I am H. M. Alderson, and I am secretary-treasurer of the Producers Rice Mill, Inc., Stuttgart, Ark. The Producers Rice Mill is a wholly owned cooperative drying, milling, and marketing association, owned and operated by over 500 rice farmers who live in the Grand Prairie region of Arkansas. We are currently handling 10 percent of the Arkansas rice crop.

I am a technical adviser—I believe that is the term—to the National Advisory Rice Committee. And now before someone in the background throws a rock at me, I want to hastily add that this proposed program was written without the dubious benefit of my advice.

One of the penalties of appearing late in a hearing of this kind is that everything that you had lined up to say had been said many, many times. And not to belabor things that have already been worn out I would like to abandon the prepared statement that I have and make a few quick personal observations that I think are the crucial points in this proposed program.

I have been in the rice business for 47 years. At no point in all of those years have I ever seen the rice industry, growers, miller, dealers, and everyone else solidly united for anything, either for or against. We have always been split off and have splinter groups. I can explain that this to me is a miracle, because this bill has literally scared everybody to death.

In my opinion it is going to be a deathblow to the rice industry. I believe that this bill will seriously affect the domestic consumption of rice, because I do not believe that you can put an artificial price increase of, approximately, 40 percent on the domestic consumers of rice and keep them from going to competitive products. They can eat beans and cornbread and many other things. There are many other starchy foods that rice is in competition with. And this is particularly true when you realize that rice is, by and large, consumed by the poor people in the United States. You show me the poorest man in the United States and I will nearly guarantee you that he is eating more rice than any other man in the United States.

The domestic consumption figures by States are very misleading. I think that you will find that South Carolina, for instance, the per capita consumption in South Carolina, I believe, is 27 pounds per

person. But that does not really mean that everybody in South Carolina eats 27 pounds of rice. There are people in South Carolina who eat 150 pounds of rice. And if you will go around the United States—around the perimeter, 200 miles inland, that is where it is. I do not think that you can raise the price of rice as much as this bill does without losing a great deal of the domestic consumption of rice. And no one knows really how much.

We are, certainly, going to lose the cereal business, not 100 percent, but most of it. We could not expect people who are manufacturing cereals to keep on promoting the use of rice, spending money to advertise rice when they have competitive products they can buy much cheaper, such as corn and oats and wheat.

We will lose a part of that business—maybe all of it.

We are going to lose all of the brewers business and I will make that as a positive statement, but for a different reason that you heard the brewers testify to. They are talking about the price and what they may not realize is that once rice has its artificial price support on the poor people in the United States, they are going to start eating broken rice. It has happened before. Mills have packages that they use to package broken rice in the wartime, when it was difficult to get. When this price goes up on the whole grain, what we call the whole grain or the table grade rice, then you will get a demand and I will from my customers to sell chipped and broken rice. It will be cheaper.

Over one half of the brewers supplies is made up of screenings and second heads. And when this bill is effected the whole grain rice is going to be so high in price that gradually that supply will come out of the brewers side. I think it will rapidly force the brewers, that and the price together, force them to abandon all attempts to stay in the rice business.

We will lose, roughly, 4 million pockets there, and up to 3 million pockets in the cannery trade. And how much domestically nobody knows. I think we are faced with a certainty of a 6 to 9 million pocket loss of business.

Once that business is lost it will be very difficult to ever get it back. We will never recover the brewers business.

And as we lose that business it will throw more and more rice on the export side where we will have to export it with the Government subsidy and it will increase the cost of the rice program.

This is going to be a very difficult measure to administer. As a starter you will have to go back to the farm and try to find out how many acres the farmer grew for the last 5 years. He does not have adequate records. And your past experience in trying to determine that has taught farmers that they had not better tell the truth about it.

Mr. JONES of Missouri. Pardon. Do you not think that they, certainly, the Department, have a record of that?

Mr. ALDERSON. They have acres, sure, but not bushels. You have to establish a special quota under this plan.

Mr. JONES of Missouri. That is right.

Mr. ALDERSON. History has told farmers that if they told the truth about their production—a certain percent of them do not tell the truth—when all of the figures are compiled, they come up to a total and they realize that it is too much, that somebody is lying, so that they give a percentage which is cut clear across the board, and the man who told the truth takes the cut. You will have that.

On the processing side you have got a very, very difficult situation. You are going to have to be concerned with what rice weight, dry rice weight, milling yields, and a lot of other things that lend themselves to violations.

Again, past history has proven in other programs which were not nearly as complicated as this that a few unscrupulous processors will jump at the chance to cheat the Government and take advantage of it to get a competitive advantage on their competitors. It is full of loopholes.

One more frightening thing to me about this program is that the bill gives the Secretary of Agriculture an unprecedented control over an industry. I think he is getting privileges and authority. That should still be in the hands of Congress. It should not be in any one man's hands. He has a rice industry in the palm of his hand.

The old law had minimums that he could not go below. This law has a very minimum minimum. At the worst he could give the rice farmer a loan, 65 percent of parity on his domestic part of the business which they say today is 40 percent. If all of these things happen that are going to happen or I feel could happen, it could rapidly go down to 30, 35 percent, or some other percentage. And that loan, if we went to the minimum, would break every farmer in the United States very quickly.

I know what we are talking about. I hear it talked about more than any other thing. And that is that the maximum that a farmer could get under this program. My experience would teach me—I would hope for the maximum—but I am prepared to live with minimums.

The only reason that has ever been offered us to open this Pandora's box of trouble is the cost of the rice program. I do not think that the cost as exhibited by the Department of Agriculture will stand a close scrutiny. I have here a balance sheet of the Commodity Credit Corporation, taken from one of their publications, that says that the rice industry is costing the Department \$179.7 million. And \$123.8 million of that cost is the domestic donation program.

Now when you come down to Public Law 480, it is not a very detailed program, so I have to lump it off as \$125.8 million. That is a total of \$149.6 million that I do not believe should be charged to the rice industry.

Certainly, the domestic giveaway program to the poor people of the United States should not be charged to the rice industry.

On the Public Law 480 side, I have the personal belief that Congress should know this—I think that we are committed all over the world that we are going to help India and Okinawa and a lot of other poor countries to supplement their diet in any way that we can. Those countries want rice. They do not want wheat. They do not want corn. And if we do not give them our rice we are going to give them money, and they will go to Burma or somewhere else and buy rice.

I do not think in equity that either of these costs should be charged to the rice industry. And if you remove these costs, then the rice industry is costing the Government \$30 million.

There are some questionable items that I have left in there, such as transportation expense—I do not know what that means.

I do not want to argue with the testimony of the Department of Agriculture. They are all friends of mine. I heard some testimony

here yesterday that this bill would raise the farmer's income, lower the cost to the Government, et cetera. Down in Arkansas we call that nimble arithmetic. That is, obviously, an impossibility.

I think what they do not want to talk about is the other leg to that mathematical formula; that is, the taxes. It is pretty obvious if you are going to raise the farmers' income and reduce the cost to the Government, somebody has got to put up the balance of that money. I do not think that they want to talk about that.

You strip this bill of all of its high-sounding titles and get down to the bare bones, you will find that it is a tax program, pure and simple. It is an attempt to transfer the cost of our domestic and foreign welfare programs from the taxpayers as a whole to a selected group of taxpayers who, unfortunately, happen to be the poorest people in the United States. And I cannot believe that the same Congress that is now seriously considering the elimination of excise taxes can seriously consider a bill of this kind. I think this is an ill-conceived, quickly born, hastily written bill that has a serious threat to an important industry. I hope that you will see it my way and remove title III from the agricultural bill.

I thank you.

Mr. JONES of Missouri. Thank you, Mr. Alderson, for a very fine statement. You have given us some information, sir, which is useful. We are always glad to have people who have the background to present such to us as you appear to have.

Mr. GATHINGS. Mr. Chairman, you brought out a point there this morning that I would like to comment on and, that is, the difficulty of arriving at a farmer's production on a given amount of acreage. We have had that same situation in other crops. You said that it is hard to make a determination as to what the production is. You will have to go to the drier—you will have to get his receipts—and that will entail much difficulty. It will be added expense on the part of the Government in administering this program.

Mr. ALDERSON. When you get into that and on the mill controls, particularly, it will take an army of inspectors. If I wanted to cheat on this program, they would have to have a man on top of me day and night in the mill.

Mr. GATHINGS. I did not understand.

Mr. ALDERSON. I say that when you get into the administrative end of this program it will take an army of inspectors on the mill part of it—on the processing side—if I wanted to cheat on it, they would have to keep a man with me 24 hours a day to keep me from doing it, and then I think that I could do it.

Mr. GATHINGS. It would take almost as many people as you have members of your organization.

Mr. ALDERSON. That is right.

Mr. GATHINGS. And it would require additional administrative effort—it would require more people to be on the payroll to do this job, would it not?

Mr. ALDERSON. We have had administrative problems in the rice program in the past. And this is a much more complicated program than any of the others.

Mr. GATHINGS. Thank you.

Mr. JONES of Missouri. Mr. Findley.

Mr. FINDLEY. Is it your estimate that the cost of the rice certificates under this program will be about \$4 a hundredweight?

Mr. ALDERSON. Are you talking about rough rice?

Mr. FINDLEY. Frankly, I am not sure. I am trying to figure out the certificate cost. In the wheat program it will be about \$1.25 a bushel.

Mr. ALDERSON. I do not think, frankly, that we have ever been told what it will cost. I do not know. I hear estimates that translated to the retail price on the clean rice variety is that it will be from \$5 to \$6. Now, the best information that I have, and it is purely an estimate, when I tried to figure it out I think that translated to clean rice at the mill is \$3 to \$4 a hundredweight. Those are not authentic figures. That is merely rumor.

Mr. FINDLEY. The brewer representative just testified that it would be about \$4 a hundredweight.

Mr. ALDERSON. That is my answer, too. Those are not definite figures.

Mr. FINDLEY. Thank you.

Mr. JONES of Missouri. Mr. O'Neal.

Mr. O'NEAL. No questions.

Mr. JONES of Missouri. Mr. Belcher.

Mr. BELCHER. I think that you said that this would open up a Pandora's box.

Mr. ALDERSON. A Pandora's box has been opened up already. [Laughter.]

Mr. BELCHER. You gentlemen now are opposing the certificate plan for rice. I do not recall seeing a single one of you in here when we were opposing the certificate plan for wheat.

Mr. ALDERSON. Excuse me, did you say that I was proposing or opposing?

Mr. BELCHER. You are now opposing the plan. But did you testify against the certificate plan for wheat?

Mr. ALDERSON. I have more troubles than I can take care of in the rice business now. [Laughter.]

Mr. BELCHER. Do you want me to take the same attitude that you do, where I have only one rice farmer in Oklahoma and he votes every year—do you want me to take the same attitude toward you that I encountered in wheat—when I had so many problems with wheat that I have no time for this?

Mr. ALDERSON. You have control over your problems, but I do not have any control over mine.

Mr. BELCHER. I can use a little help over here with some of these fellows that are over here to my right. I can use a little help. [Laughter.] This gentleman happens to be from Arkansas. I wondered if you had any control over him. [Laughter.]

Mr. ALDERSON. I did not know that this avenue was open, that if you will help me today, I will help you tomorrow. [Laughter.]

Mr. BELCHER. You are willing to help me after my horse has been stolen. The reason today that you are, probably, going to lose this is because we lost the fight a year ago, but you were wondering a while ago whether it would be possible to save the Government money and raise the farmer's income. Well, I will say that I can go to the Congressional Record and show that on many occasions I have called

attention to the fact that certain members of this committee year after year presented bills that would go farther than that—it would reduce the cost to the Government—it would increase the income to the farmers—it would reduce the prices to the consumers. That really is something. [Laughter.] And it is a better one than what you have just pointed out. You do not say anything about reducing the cost to the consumers which you and I know it will increase, that is, the cost to the consumers.

We have had a lot of bills presented where all three of these things would be done and at the end of a year or two of operation another bill was presented that would do the same thing again. We have the same old record time after time without even a new needle. [Laughter.]

I have a great esteem for the farmers, but I did not accomplish a thing on the other. They have got us all licked.

You are talking about how much it will cost to administer this program. How many bushels of rice are produced in the United States?

Mr. ALDERSON. You are talking about bushels?

Mr. BELCHER. I am using that, because I want to compare it to wheat.

Mr. ALDERSON. There are 71 million hundredweight.

Mr. BELCHER. That would be, approximately, a little over 100 million bushels—maybe 130 million bushels. When you compare that with 1,500,000 million bushels of wheat, you are suggesting quite a small problem as to what it will cost to administer the wheat program.

Your corn has been stepped on. And I am sure that I will be expected to give cooperation, much more so than when the wheat bill came up. I will get a whole lot of promises—I have already gotten several promises—I will get more. [Laughter.] I am just waiting for the highest bidder and I want him to put the money in the bank. [Laughter and applause.] This was all said facetiously, of course. [Laughter.]

Mr. JONES of Missouri. He did not tell how many wagon tongues he wore out trying to explain the wheat bill. [Laughter.]

Mr. Stalbaum?

Mr. STALBAUM. No questions.

Mr. JONES of Missouri. Mr. Bandstra.

Mr. BANDSTRA. No questions.

Mr. JONES of Missouri. We want to thank you very much.

Mr. ALDERSON. I want to present these gentlemen who are sitting here with me. One is Mr. Earl Dougherty, of Suttgart, Ark., who is a director in my organization, and Mr. John H. Simpson of DeWitt, Ark., and one or both of them may wish to submit a brief statement.

Mr. JONES of Missouri. If they would like to file it for the record, do you mean?

Mr. ALDERSON. Mr. Simpson has a very short statement that he would like to read.

Mr. JONES of Missouri. Go ahead. We shall be happy to hear from you.

STATEMENT OF JOHN H. SIMPSON, ALMYRA, ARK.

Mr. SIMPSON. Mr. Chairman and members of the subcommittee, I do appreciate the opportunity of appearing before you in opposition to title III of the omnibus farm bill.

I am a producer of rice and soybeans in Arkansas County, Ark., and I do not believe that the certificate plan for rice would be of benefit to farmers, especially after the first year of operation.

(1) We have been informed by the rice salesmen for our mills that an increase of 5 to 6 cents a pound on Fancy rice would result from the adoption of the certificate plan. We believe this would hurt the sale of rice on the retail level thus reducing the amount of rice moved in the domestic market. This would cause the percentage of domestic market certificates to go down; thus cutting the farmers increase the second year of operation and each year thereafter. We also believe that it would set back our advertising campaign which is being paid for by the producers and processors.

(2) Since the Secretary of Agriculture would determine the number of bushels of rice needed in the ensuing year and would establish the number of acres needed to produce these bushels. The acreage allotments of the farms could change each year. A farmer could not make long-range plans. Our bankers say that under this plan they would have nothing to base machinery or improvement loans on.

Rice is an expensive crop to produce with a cost of about \$175 per acre of long-grain variety. Thus making a lot of financing necessary.

Our costs have gone up just as fast as yields. The cost of machinery and parts advancing approximately 20 percent in the past 4 years.

(3) We believe the present program on rice is working very well, of course, we realize some saving could be made under it.

A larger percent of rice is being exported than other crops and it is being used in the Far East in the cold war.

We are told that the cost of the rice program is \$180 million but of this amount \$125 million is sold under Public Law 480 and the food-for-peace program, \$15 million is spent on the welfare programs, school lunch program and administration, the provision for shipping one-half in American ships adds to the cost also. So really that doesn't leave much to be saved by a certificate plan.

(4) The Agricultural Stabilization and Conservation Service office in our county is working overtime at nights, with the clerks donating their time to keep the work up to date. With the additional work they would have under the certificate plan extra clerks would have to be hired on all levels, making any savings at all very doubtful.

(5) I can assure you that we rice farmers are not getting rich. Our cost on every item that we buy has increased, including labor, it is hard for us to keep even by increasing yield and we cannot see where the certificate plan would do anything but hurt us. We have held meetings throughout our county and we have found not one farmer, banker, or businessman whose livelihood depends on rice who is in favor of exchanging our present plan for the certificate plan.

We are asking you to leave our rice program as it is and I believe that we rice farmers can continue to operate under it.

I have a statement, in addition, which I should like to submit for the record.

Mr. JONES of Missouri. It will be made a part of the record at this point.

(The statement follows:)

STATEMENT OF JOHN H. SIMPSON, ALMYRA, ARK.

To Whom It May Concern:

We are a group of businessmen and farmers who are interested in the rice industry, for a livelihood and a means of the greater percentage of income to our city and county.

We feel that the rice picture has been painted a lot darker than it really is.

In the first place the producers have not had a substantial gain in net income in the past 4 years.

The gross sales of rice has risen but the net income has not kept pace because of the increase of production cost.

(1) New machinery and repair parts have advanced by approximately 20 percent during the past 4 years.

(2) Due to the use of a selective grass and weed killer developed by the experiment stations within the past 4 years, our cost of production has gone up \$14 per acre.

(3) Labor cost has risen.

(4) The cost of irrigation wells and equipment continued to rise.

We are presenting statements from machinery dealers and bankers which will verify the above facts.

We are told that the cost of the rice program is \$180 million making it 2½ times as expensive as wheat. The average yield of rice in the United States is 90 bushels per acre, the average yield of wheat 26 bushels per acre, making the per bushel cost of rice cheaper than the per bushel cost of wheat.

It costs to produce rice, approximately \$175 per acre using 4 percent interest rate on your investment. The cost of the wheat production is much lower.

The \$180 million used is the cost to the Government of a rice crop, processed and delivered, the farmers crop of course is in the rough. So a large part of this cost is in the processing and delivering.

Included in the \$180 million is the \$125 million of rice sold under Public Law 480, and the food-for-peace programs. The school lunch program, the welfare programs, and the cost of administration and the additional cost of shipping due to having to ship one-half of it in American ships. These programs have become permanent and should not be charged to the individual rice farmer.

We feel like the administrative cost of the program would increase with the certificate program. The office force in our county Agricultural Stabilization and Conservation Service office has been out until they are working at nights on their own time to keep the work up. With the additional paperwork involved in the certificate plan, more clerks would have to be hired at the Federal, State, and county level as well as in the rice processors offices.

We realize, of course, the present plan is not perfect but of all of the control plans it is working best.

We do not feel like the certificate plan is in the best interest of the rice industry and can assure you that we have not found a single farmer, miller, banker, businessman, or any individual who depends on the rice industry for a livelihood in the State of Arkansas who is in favor of changing the present program to the certificate plan as advocated by title III of the new farm bill presented to Congress.

Mr. JONES of Missouri. Thank you, Mr. Simpson. You gave a lot of pertinent information that is very helpful.

STATEMENT OF EARL DOUGHERTY, STUTTGART, ARK.

Mr. DOUGHERTY. Mr. Chairman and members of the subcommittee, I will not take up much of your time.

I just want to say that I have talked to a great number of farmers, and they are opposed to this section of this bill, title III. They feel like it would be devastating and, probably, would lead to ultimate

bankruptcy of what we feel is a very good segment of the whole economy of the country. We feel that it will have devastating effects.

There has been no assurance as to what the income will be. It will all be left up to the discretion of one man. That is, certainly, not good, particularly in our type of government where we are supposed to have representation. It will leave it up to one man which could, certainly, be bad. And here we are trying to relieve the cost of taxation on all of the people, and it will be put on just a few people who are, unfortunately, the poor people who have to pay for the program and it does not seem like it is good or would be justified.

I do not want to take up any more of your time. I thank you for this opportunity to speak.

Mr. JONES of Missouri. Thank you very much.

We have one of our colleagues with us here this morning from one of the largest rice producing areas of the country. Two of his constituents were here yesterday. Mr. Thompson of the Seventh District of Louisiana.

STATEMENT OF HON. T. ASHTON THOMPSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. THOMPSON. I will not burden the subcommittee. I know of your long list of witnesses and your shortness of time.

I do come from a great rice producing district in the State of Louisiana. I know over the years the outstanding work the Committee on Agriculture has done in allowing us to get a little bit beyond the breakeven point in the production of rice.

I remember over the years when you have helped us by going to the State Department to have rice used more and more overseas. It has been used in international relations. You will remember, Mr. Gathings, the great sales to Burma.

Today we have reached, in the last year, the breakeven and a little better point. We have made some profits.

It would seem to me that all of a sudden costs are going up. I know that the gentleman from Oklahoma said that the same old record would be used with the same old needle being used. I know that he uses a very sharp and fine needle. [Laughter.]

We in Louisiana are very much interested. You have heard testimony from some who were here. They are well qualified men.

We do not want to step on anybody's corns. We are going to continue to see the agricultural problem as a national one.

Rice is a small segment of the entire grain program, but, for your consideration I submit to you this suggestion and request: try not to burden the people who are least able to pay with a high, sharp increase in the cost of domestic rice without a guarantee to the farmer.

If you could persuade someone to explain this thing to us, it would be helpful.

I was a State budget director in Louisiana at one time. In a small way I am acquainted with the problems the Bureau of the Budget office has.

I have high regard for the Department of Agriculture officials—the people who have served for long years there—however, I am certainly afraid that if your subcommittee does not take positive action

in this matter, we are going to have the Bureau of the Budget dictate more and more the policy the Department of Agriculture, and other departments, must follow.

I do appreciate your allowing me to appear out of order, Mr. Chairman. And, in order to save the time of this committee, these gentlemen from Louisiana who are scheduled to testify, have indicated to me that they will submit their statements for the record instead of testifying. These men are Mr. Glenn LaHaye, representing the Farm Bureau from my home county; Gene Wittler of Lake Charles, and Mr. Manson Saltzman from Congressman Willis' district, also great rice producing district. We would like to submit these statements for the record, if there is no objection.

Mr. JONES of Missouri. We will be happy to insert their statements into the record. And if you would like to revise your remarks, you will have that permission.

(The prepared statements of Manson Saltzman, Gene Wittler, and Glenn LaHaye follow:)

STATEMENT OF MANSON SALTZMAN, KAPLAN, LA.

Mr. Chairman, gentlemen of the committee, I am Manson Saltzman, a rice producer from Kaplan, La., and reside at Route 3, Box 175, Kaplan.

I appreciate very much the opportunity to appear before this committee to testify in opposition to title III of H.R. 7097.

I would like to present a few reasons why the rice farmers of Vermilion Parish and the traditional rice area are opposed to title III of H.R. 7097.

At the outset, I would like to say, gentlemen, that southwest Louisiana is an area of the State that is greatly dependent on agriculture for its income. Rice is the only major cash crop for a number of farmers in my area. There is not a large number of crops that can be grown profitably in southwest Louisiana, so the economy of the entire areas is closely tied to the rice industry. Any decrease in rice acreage or price has a definite effect on the economy. I sincerely believe that if this proposed legislation is put into effect, it could result in an acreage reduction far greater than we now have.

We see in the bill a provision that would set the national acreage allotment on an acreage required to produce not less than 60 million hundredweights instead of the fixed acreage of 1,652,596 acres. I understand that it would take approximately 1.5 million acres to produce 60 million hundredweights. Now, if the Secretary of Agriculture uses 60 million hundredweights to determine the acreage for 1966 and 1967, we would face a reduction in acreage in the United States and Louisiana.

Another objection to the change in the national acreage allotment from an established acreage to an estimated production based on hundredweights is that producers would not be able to plan long-range programs for their farms. We would be forced to live from year to year depending on annual production figures for the amount of rice we would be allowed to produce, whereas we now know by law we have a set acreage figure we can use to plan for the next year's crop.

Under the proposed bill, there would be an allotment by acres, but determined by estimated normal farm yield. It has been my experience that when farmers are asked to give normal yield figures to the Government, they are inclined to add to the figure in anticipation of a cut. An example of this occurred in Louisiana in 1955 when the allotment programs went into effect. USDA asked for the acreage planted on the individual farms, and after they were all turned in the estimates were above the USDA estimated planted acreage. The farmer then had to be cut to the estimated parish history of production; then cut again to come within the allocated acres. When this is done and when the production is cut, the farmers who have given a true figure are unjustly penalized for their honesty by having a greater percentage cut than the other who exaggerated.

Then, too, I understand that this bill, if passed, will cause an increase in the cost of rice to the consumer. If this happens, the consumer is bound to get the idea that he is paying the farmer's way. This isn't the case at all, and the farmers I know do not want to give anyone the impression that they are living

on handouts from the Government, the consumer, or anyone else. I have noticed that the administration, in its statements about the bill, has talked about shifting the cost of the program from the Treasury to the consumer. All this seems to be designed to give the general public the idea that the farmer has to be subsidized to exist.

I heard a statement made the other day that the rice program cost the Government more than any other commodity that is under a Government program. That was the reason given for a new program for rice. That was when I first heard of the certificate plan for rice and heard that it was going to reduce the cost of the rice program to the Government. The statement was made that the rice program is costing the Government \$100 an acre per year. This was the highest cost per acre of any Government farm program in existence. I began thinking, if the Government would just cut that figure in half and send me \$50 an acre and keep \$50 an acre, everybody would be happy.

We all know the cost of living is rising. Well, the cost of farming is going up, too. In the case of rice, the increased cost of production has been proportionally greater than the increased gross return to the farmer. If the Secretary of Agriculture should reduce the 100-percent parity for the certificate rice and the domestic consumption is reduced under the proposed bill, farmers would realize a reduced net income.

This bill could cause the amount of money received by farmers for their rice to decrease, and this coupled with the increased cost of production would be enough to drive many rice farmers out of business.

Thank you very much for the opportunity to appear here today. I urge you to oppose title III of H.R. 7097.

STATEMENT OF GENE WITTLER, LAKE CHARLES, LA.

Mr. Chairman, gentlemen of the committee, I am Gene Wittler, a rice producer from Lake Charles, La., and reside at Route 3, Box 428, Lake Charles. I appear before you today as an official representative of Louisiana Farm Bureau Federation, an organization of 22,000 farm families domiciled in the State of Louisiana.

I appreciate very much the opportunity to appear before you today to testify on title III of H.R. 7097.

I would like to deal primarily with the effect of the proposed bill on the domestic markets that we now have established.

I am disturbed by the fact that the bill would provide for payments to producers for a portion of their rice crop based on the domestic use of rice. As I understand the bill, producers would receive a marketing allocation on which marketing certificates would be issued equal to the number of hundredweights obtained by multiplying the estimated production on the allotted acres by the national allocation percentage, which is the percentage of the rice crop estimated by the Secretary that will be used in the United States during the marketing year.

This domestic consumption, then, will have a direct effect each year on the gross income of our farmers in Louisiana and the United States.

I have read numerous news reports concerning the domestic consumption of rice and the proposed increase in the domestic price of rice. I would like to quote a paragraph taken from an Associated Press article, Washington dateline, entitled "Consumer To Pay for Rice Subsidies if Plan Is Approved": "As outlined by a senior official, the plan, if adopted by the administration and approved by Congress, could boost the price of a pound of rice at the American grocery store from 4 to 6 cents."

Since the domestic consumption of rice will have a direct bearing on my gross income as a producer, I am greatly concerned about the effect of an increase of 4 to 6 cents per pound on the rice market. At the present time, rice is readily accepted and is moving in the domestic market. We are not sure this will continue if the proposed shift takes place.

Consumer preference studies show that low-income groups are heavy users of rice. In fact, almost half of the frequent users of rice have low incomes. Not only is this true, but the frequent users also had larger families (5 persons or more). With this being the case, it appears to me that we will surely be in danger of losing a portion of our present market that we have been trying so hard to build.

The significance of frequency of use can best be illustrated by the following tables taken from Agriculture Information Bulletin No. 15 published by the U.S. Department of Agriculture:

TABLE 1.—*Relation between reported frequency of use of rice and size of homemaker's family*

Size of family ¹	Frequency of use		
	Infrequent users	Moderate users	Frequent users
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Small.....	38	30	26
Medium.....	43	42	36
Large.....	19	28	38
Total.....	100	100	100
Number of homemakers.....	861	895	255

¹ As defined in this study: small families contained 1 or 2 persons, medium-sized families contained 3 or 4 persons, and large families contained 5 or more persons.

TABLE 2.—*Relation between reported frequency of use of rice and level of family income*

Income groups	Frequency of use		
	Infrequent users	Moderate users	Frequent users
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Lower.....	25	28	49
Middle.....	30	34	26
Upper.....	37	31	17
Not ascertained.....	8	7	8
Total.....	100	100	100
Number of homemakers.....	861	85	255

I would also like to point out to you the fact that New York consumes 12.8 percent and California 15.6 of the total domestic rice market. Two areas of the United States consuming 28.4 percent of the entire domestic market.

Another point I would like to make concerns the use of substitutes by the American public. There is a basic belief held by agricultural economists that most agricultural products do not have close substitutes. Because of this belief, economists have expounded the theory that an increase in price of most agricultural products will not result in a proportionate decrease in demand for the product. As an example, if the price of milk was to increase by 10 percent, economists say there would not be a 10 percent decrease in the demand for milk, since most consumers feel that milk is an integral part of their diet and there is no close substitute for milk.

While this may be true for many of our basic food commodities, it is not true for rice. Rice has several close substitutes both on the consumer market and the industrial market. In addition, a large part of the consumer market that utilizes rice in their diet is concentrated in the lower income bracket as mentioned above. Out of necessity, these people are very price conscious and when given a choice will shift rapidly to the lower priced products.

Of course, we are all well aware of the fact that industry is very sensitive to price changes. We only have to look at what has happened to cotton in its battle with synthetic fibers to be concerned about this fact.

Thus, an increase in the price of rice will not, like milk, result in a less than proportional decrease in demand, but, like cotton, in a more than proportional decrease in demand. Then, gentlemen, rice producers will experience a decrease in gross income due to a decrease in domestic consumption under the proposed plan.

One other provision of H.R. 7097 that I would like to discuss with you deals with the issuing of additional certificates on the first 1,500 hundredweights produced by the rice farmers.

It seems to me that the 500 to 1,500 hundredweight provision is good as far as it goes, but it doesn't go far enough. We don't have a high percentage of farms growing 500 to 1,500 hundredweights of rice. We have some allotments like that, but these are largely consolidated. For instance, Joe Doak will be farming 50 acres here for John Brown, 25 acres for Bill Smith, and 25 acres on his own. The men that own the 50- and 25-acre allotments may be the local bartender in town or have a job with the post office. This just isn't needed. The number of farmers depending on 40 acres of rice for their livelihood is relatively small, and the proposed program will not increase their gross income any substantial amount.

Gentlemen, I would encourage you to vote against title III of H.R. 7097. I appreciate very much the opportunity to be here and thank you for your kind attention.

STATEMENT OF GLENN LAHAYE, VILLE PLATTE, LA.

Mr. Chairman, gentleman of the committee, I am Glenn LaHaye, a rice farmer from Ville Platte, La., and reside at route 2, box 189-A, Ville Platte. I appear before you today as an official representative of Louisiana Farm Bureau Federation, an organization of 22,000 farm families domiciled in the State of Louisiana.

I appreciate the opportunity to speak in opposition to title III of H.R. 7097, the rice certificate plan as it is known in Louisiana.

Title III of H.R. 7097 is a new concept to rice farmers in southwest Louisiana. We have heard of a certificate plan for another commodity and are familiar with the fact that there was once written a certificate plan for rice, but this is the first time Louisiana rice farmers have really been aware of how a certificate plan would work and the ultimate effect on our economy.

I have reviewed the proposed legislation and find a number of areas that I as a producer would like to question.

I do not look with favor on the idea of a two-price certificate plan for rice where the producer would receive a check, for all practical purposes, from the Government for rice he produces for the domestic market, with the remainder to be sold at world prices. Under an arrangement of this type, quality plays no part in the determination of the price the producer will receive for his commodity. What incentive will I have to produce a quality product for the consumer? None whatsoever. Under the proposed plan producers will be interested only in getting as much rice off an acre of ground as possible at the least amount of cost to himself.

I question, too, that portion of the bill that gives the Secretary of Agriculture the authority to set the price support for certificate rice at 65 to 100 percent of parity. True, the Secretary of Agriculture has said he plans to set the price support for this portion of the farmer's crop at 100 percent of parity the first year, but what happens in 1967 under the proposed bill? I interpret the bill to read that the Secretary will have the authority to set this figure at 65 to 100 percent of parity. This, I think, gives the Secretary of Agriculture too much leeway in determining the price the farmer shall receive for the domestic share of his crop.

It is also my understanding that the proposed bill could cause a reduction in the acres of rice for Louisiana. The economy of the rice area is now geared to a production of 522,635 acres, and a reduction would affect each and every farmer, as well as agri-business in Louisiana. The bill specifically gives the Secretary of Agriculture the power to set the national allotment at an amount of rice not less than 60 million hundredweights. If the Secretary of Agriculture uses the minimum of 60 million hundredweights in setting the allotment for the United States, it would mean a substantial reduction in acreage for Louisiana and the other rice-producing States.

Then, too, when normal yields are used to determine production history, we have found that the estimates are usually higher than the actual yield. I am sure this will not be the case under the proposed program if it is adopted, but the danger always exists.

There is another section of the proposed legislation that I would like to discuss with you. This is the portion dealing with the carryover of rice. It is

my understanding that the Secretary of Agriculture uses a figure of 10 percent of the normal supply of rice as a carryover each year. Under the proposed bill, the amount to be allowed for carryover would be "an adequate carryover" instead of 10 percent of the estimated domestic consumption and exports. This adequate carryover could conceivably be quite a bit greater than 10 percent. This huge amount of rice could be released at 105 percent of the loan rate and cause a dumping of rice on the remaining markets.

Gentlemen, I cannot see how this proposed plan would in any way benefit rice producers in Louisiana or the economy of southwest Louisiana. Producers have spent millions of dollars building a market for rice at home and abroad. This was money out of their own pockets promoting a commodity they are dependent on for a livelihood. Let us not stymie an industry such as the rice industry in Louisiana by passing H.R. 7097.

Thank you for your kind attention and the opportunity to appear before this committee.

Mr. JONES of Missouri. Are there any questions? Mr. Belcher has a question.

Mr. BELCHER. I just wanted to say that we do not sit on the same side of the aisle, but we have labored for many, many years together. He is a great Congressman for his district. I think he has done a good job now for his district. I sincerely hope that when I get in the same position that you are, that you will give me the same sympathetic understanding that I want to give you in this case. [Laughter.]

Mr. THOMPSON. I must answer that. None of us in our endeavors ever have to take an oath and I am not under oath. I will state to you, however, in opening the Pandora's box, I hope that we can go through the box sympathetically with an understanding of all of the farm problems. [Laughter.]

Mr. JONES of Missouri. Mr. O'Neal.

Mr. O'NEAL. May I say in view of all this delightful talk, I wondered why we do not get sympathy in the acreage-poundage tobacco field. [Laughter.]

Mr. BELCHER. I might state to my friend that I made the best speech I have ever made in the House of Representatives on that very bill.

Mr. O'NEAL. Yes, you did, and we thank you.

Mr. JONES of Missouri. Our next witness is Mr. Carter, executive vice president and general manager of the Arkansas Rice Growers Cooperative Association.

STATEMENT OF L. C. CARTER, EXECUTIVE VICE PRESIDENT AND GENERAL MANAGER, ARKANSAS RICE GROWERS COOPERATIVE ASSOCIATION; ACCOMPANIED BY ROBERT H. SMITH, WALNUT RIDGE, ARK., AND BILL E. JONES, FISHER, ARK.

Mr. CARTER. Mr. Chairman and members of the subcommittee, I hope that you can hear me. I am having difficulty with laryngitis. I will speak as loudly as I can. Congressman Mills planned to introduce our delegation from Arkansas and make a statement in opposition to this bill.

Mr. JONES of Missouri. I might say at this point that Mr. Mills did tell me that it was his intention to be here, but I understand he has been detained in his committee.

Mr. CARTER. He is handling a bill on the floor this morning and could not come and, therefore, I wanted to make this statement so that you gentlemen would know his position and why he is not here. I

should like to make a brief statement, after which I would like to call on Mr. Robert H. Smith, our president, to make a statement, and then Mr. Bill E. Jones, our vice president, to make a statement. And then we have some 20-odd farmers who are here that I should like to introduce. Some of them will make the very brief statements from the floor if you will permit this. We could have brought hundreds of farmers in opposition to this legislation. We simply felt that this would not be necessary, that we could express to you our feelings without bringing that many people here. I will now present a brief statement, and then I will ask these gentlemen to follow me.

The Arkansas Rice Growers Cooperative Association, of Stuttgart, Ark., is recommending the elimination of title III from H.R. 7097—the Food and Agricultural Act of 1965. This title would replace the highly successful rice program which has kept the supply and demand of rice in almost perfect balance for a number of years, with a certificate plan which is untried and would lead to disastrous results within the rice industry in a very short time.

My name is L. C. Carter. I am executive vice president and general manager of the Arkansas Rice Growers Cooperative Association, a position which I have held for 21 years. This farmer owned and controlled organization has over 5,000 members in Arkansas, Missouri, Mississippi, and Louisiana. It receives, dries, stores, mills and markets well over 50 percent of the Arkansas rice crop, virtually all of the Missouri rice, and a small amount of the Mississippi and Louisiana rice crop. It markets milled rice throughout the United States, and in many countries of the world.

I might stop here and say that Mr. Dockery, who is president of the Mississippi Rice Growers Association, is in the audience. He has filed a statement. He asked me to say to you that he endorses the statement that the Arkansas Rice Growers are making.

Mr. JONES of Missouri. We have a copy of his statement.

Mr. CARTER. On two different occasions, our board of directors has carefully examined title III of H.R. 7097 and are unanimously and unalterably opposed to it. Numerous meetings have been held throughout the State to explain and get reaction to this bill. We have yet to find one farmer, banker, credit agency, businessman, or consumer in favor of this proposed legislation.

There are numerous reasons for this opposition, only a few of which we will mention in some detail.

There is practically nothing new in what I will say. It has been said before, but I would like to say it again for emphasis and say it as representing over 5,000 farmers.

1. First, and by far the most important, it levies a new consumers' tax that would increase the price of rice at retail levels by at least 40 percent. In some cases this increase would be as much as 70 percent. People of low income are the major consumers of rice. The major share of this new tax would fall on the very people the President's "war on poverty" is designed to help.

We asked the agricultural economics department of the University of Arkansas to make a survey of rice distribution in the United States, to determine (1) what percent of the "table rice" is consumed by low-, medium- and high-income groups, and (2) what would happen to the consumption of rice if the price were increased 6 cents per pound.

They surveyed about 70 percent of the rice milled and distributed in the domestic market by Arkansas millers, and developed the information contained in the following tables:

(Tables I and II referred to are as follows:)

TABLE I.—*Distribution of the 1963 rice crop among regions and the estimated distribution by income groups*

Region	Distribution 1,000 hundred- weight	Income groups					
		Low		Medium		High	
		Per- cent	Hundred- weight	Per- cent	Hundred- weight	Per- cent	Hundred- weight
New England.....	250,900	75	188,175	15	37,635	10	25,090
Middle Atlantic.....	2,601,200	50	1,300,600	44	1,144,528	6	156,072
East north central.....	1,062,500	60	637,500	30	318,750	10	106,250
West north central.....	275,200	57	156,864	32	88,064	11	30,272
South Atlantic.....	2,379,700	59	1,404,023	29	690,113	12	285,564
East south central.....	565,800	68	384,744	24	135,792	8	45,264
West south central.....	2,231,200	65	1,450,280	25	557,800	10	223,120
Mountain.....	157,500	30	47,250	50	78,750	20	31,500
Pacific.....	3,277,000	58	1,900,660	31	1,015,870	11	360,470
Total.....	12,801,000	58	7,470,096	32	4,067,302	10	1,263,602

TABLE II.—*Distribution of the 1963 rice crop among regions if the retail price had increased 6 cents per pound*

[Hundredweight]

Region	Income groups			Total
	Low	Medium	High	
New England.....	169,358	37,635	25,090	232,083
Middle Atlantic.....	736,140	1,062,122	156,072	1,954,334
East north central.....	369,750	261,375	100,938	732,063
West north central.....	116,079	52,384	30,272	198,735
South Atlantic.....	982,816	621,102	274,530	1,878,448
East south central.....	246,236	114,792	42,548	403,576
West south central.....	928,179	462,974	223,120	1,614,273
Mountain.....	37,250	70,875	31,500	139,625
Pacific.....	1,178,409	812,870	360,470	2,351,749
Total.....	4,764,217	3,496,129	1,244,540	9,504,886
Percentage decrease.....	36.2	29.6	1.5	25.8
Pound decrease.....	2,705,879	1,471,173	19,062	3,296,144

Mr. CARTER. Table I shows very clearly that 58 percent of the rice is consumed by low, 32 percent by medium, and 10 percent by high income families.

Table II shows that an increase of 6 cents per pound would cause an average reduction in consumption of rice of 25.8 percent—36.2 percent in the low, 29.6 percent in the medium, and 1.5 percent in the high income levels.

The rice farmers, processors, and allied industries are waging a successful program of advertising, promotion, and utilization through the Rice Council for Market Development. I happen to be the president of that organization this year. These efforts have resulted in a 35-percent increase in the domestic consumption of rice during the last 4 years. Let me repeat this statement: These efforts have resulted in

a 35-percent increase on a per capita basis—a 35-percent increase in the per capita consumption of rice during the last 4 years. And rice, as has already been indicated to you gentlemen is the only carbohydrate food in America the consumption of which is going up. And we think that a great deal of this is credited due to this organization's efforts of farmers and millers and bankers and other people who are making available substantial funds annually to increase the consumption of rice. We are positive an increase of 40 percent as referred to above, would seriously affect the good work this organization is doing.

Unlike wheat, where the certificate program adds perhaps 1 cent to the price of a loaf of bread, rice prices would have to be increased 5 cents or more per pound, at the retail level, since only a small part of the total cost is in processing.

The consuming public simply will not accept this kind of increase. A great reduction in the consumption of rice will result.

2. The largest single domestic consumers of rice is the brewing industry. We are sure that the screenings, now going to the brewers, will be shifted to food use for low-income people. This would reduce the quantity of rice now going to the brewing industry by approximately 50 percent and could result in the rice industry losing its entire market for brewers rice.

I simply cover this subject again, which was covered very ably by Mr. Alderson. I want to simply endorse what he said.

Everyone, including USDA officials are agreed that none of the certificate cost could be passed on to brewers rice. We feel this is true, because we know how competitive we are in this area with other grains that are available for the brewing industry. This would force breweries to turn to other lower priced grain.

Next to the brewing industry, the breakfast cereal industry uses the largest quantity of rice consumed in the domestic market. An increase of 40 percent to these outlets will certainly reduce the quantity of rice moving into this direction. Emphasis will shift from rice to other less expensive foods. These large food industries, we are told, will stop or greatly reduce advertising and research on rice, and shift it to other products.

Some others have already spoken on this subject and others will speak on this subject, too.

3. The administration of such a program would be very difficult. It would require the establishment of a projected yield, based on history, for each rice farm in the United States. Adequate records are not available to do this. Some farmers will exaggerate their production. This will result in lower projected yield figures for the vast majority of honest farmers. Rice farmers have had experience in this area before, and are not anxious to be subjected to its complications again.

Here, again, other witnesses have testified on this subject and we certainly concur in the statements they have made.

Farmers fear unit controls. In the proposed legislation, the minimum allotment for rice is set at 60 million hundredweights. Existing legislation sets the minimum at 1,652,596 acres. Under existing legislation the national rice acreage could be cut 10 percent. Under the proposed certificate legislation, and based on current national field

yields, the national acreage could be cut over 20 percent the first year, and it would go lower as per acre yields increased.

This would have a tendency to remove incentive to increase yields per acre, which have almost doubled in the last 10 years. This increase in yield is the only reason farmers have been able to stay in business with rising costs and reduced prices.

4. An even more difficult area of administration is at the processing level. Weights, milling yields, percentages and kinds of broken all present opportunities for an unscrupulous processor to take unfair advantage of the Government and other millers. The assessing and collecting of the tax on milling has many loopholes whereby records could be altered to the benefit of the miller. These practices did occur when the rice industry had a processing tax many years ago.

5. The difficulties of administering a certificate program, such as mentioned above, as well as others which may arise, will certainly bring about increased costs which could offset a substantial part of any anticipated savings of such a program.

6. We do not support different values on certificates for varying size farms nor any other form of limitation of payments to individuals in farm programs. Farm programs should be economic, not social.

It has been stated that rice is an expensive program for the Government— $2\frac{1}{2}$ times as expensive as wheat per acre, the next most expensive crop. It should not be overlooked, however, that the national yield of rice per acre is 4,095 pounds (91 bushels), compared to 26.2 bushels national yield of wheat per acre—almost $3\frac{1}{2}$ times as much rice per acre as wheat. Likewise, rice is a much more expensive crop to produce than wheat.

I submit that the Government is getting an excellent bargain in the production of rice when you compare it to other costs on a poundage basis or a unit basis.

We, therefore, cannot easily reconcile a comparison of the cost of the rice program with costs of other crops, such as wheat, feed grains, corn, et cetera. Rice is a food, and historically, nations rise and fall on their food supplies. All but a very small percentage of the rice produced in the United States is consumed as food—much of it in foreign lands, where there is no other food available.

It should also be made clear that much of the cost of the rice program has contributed to the programs of other departments of Government, which use this universal food to achieve their objectives. These include food for peace, school lunch and welfare. Even such regulations, which require the shipment of rice in the more expensive American flagships, contribute to the overall cost of the rice program. We understand that even the rice sold under title IV of Public Law 480 (sales for cash on long-term credit) including interest, is charged to rice.

I wish that we could keep our books like that.

In conclusion, gentlemen, we want to point out that the certificate plan is not workable; it will (1) drastically reduce the domestic distribution of rice, thereby leading to a reduction in farmer income; (2) kill the brewers market and substantially reduce the breakfast cereal market for rice; (3) the administration of this program, both on the farm and in mills, would be very difficult and expensive; and (4) that the cost when compared on a realistic basis is not excessive.

We strongly recommend that title III of H.R. 7097 be removed from the bill, and that the rice industry be permitted to continue operation under present legislation.

Thank you.

Mr. JONES of Missouri. Thank you, Mr. Carter. Do you want Mr. Smith to present his statement?

Mr. CARTER. I prefer that these two gentlemen make their statements, and then we will proceed to questions.

Mr. JONES of Missouri. Very well. We will hear from you, Mr. Smith.

STATEMENT OF ROBERT H. SMITH, WALNUT RIDGE, ARK.

Mr. SMITH. Mr. Chairman and members of the Subcommittee on Rice, my name is Robert H. Smith, an Arkansas farmer since the middle 1930's, a producer of rice, soybeans, cotton, and wheat. I serve as president of the Arkansas Rice Growers Cooperative Association, which—with its associated drying organization, which is a private overall operation—has a membership of over 5,000 rice farmers. The opinions that will be expressed represent the consensus of these farmers who produce more than half of the Arkansas rice crop, as well as that of myself as a farmer.

We appreciate the opportunity that you afford us to voice our opposition to title III of H.R. 7097, which is generally referred to as a two-price plan for rice.

Generally, this proposal is full of fallacies. It will not maintain farm income but reduce it. Such price increases as proposed for domestic rice will reduce consumption and thus tend to destroy markets that have been developed by a farmer-miller joint effort. Over 3 million pockets of rice annually are purchased by a few American firms that are used as ingredients in packaged foods and breakfast cereals.

Mr. GATHINGS. Will you yield there?

Mr. SMITH. Yes.

Mr. GATHINGS. That is the first time that I believe the word "pockets" has been used. Some of the members may want you to explain the term.

Mr. SMITH. That is a hundred pounds of milled rice. That is the trade term. That represents 100 pounds of milled rice ready for consumption.

Mr. GATHINGS. Thank you.

Mr. SMITH. These firms express concern and doubt that this market can be sustained as their total costs will be increased by \$15 to \$18 million annually. We also fear that markets for brewers rice will entirely turn to corn grits.

I think that a gentleman has already completely assured you that that is true.

Millers being required to purchase domestic certificates to market rice in the domestic markets will be confronted with the problem of yields of head rice, broken, and brewers, and I am sure that the committee knows the vast difference in moneys that can occur by difference of a few pounds in milling yields. These yields would have to be set either by Government or industry and I do not believe that either would be satisfactory.

Contention is made that the rice program is very expensive in relation to the total number of acres produced, but may I point out that rice for domestic donation, rice for the school-lunch program, rice for foreign relief, rice for food for peace, as well as export subsidies are all charged to the rice program with no mention of any credits for these worthwhile programs; so these contentions are not truly reflective of actual conditions.

The late President Kennedy, and indeed the Secretary of Agriculture, have referred to the present rice program as outstandingly successful in the field of farm programs.

One of the stated purposes of this proposal is that it will maintain farm income, and we plainly do not believe that this will be done. A blending of supports, plus the domestic certificates, under the most favorable conditions will result in rice supports at less than 70 percent of parity; and I do not see how, that any knowledgeable person can contend that the rice industry is a fat cat on less than 70 percent of fair returns. No other aspect of the American economy would be expected to survive on such returns. Subsidies and special considerations are no strangers to the general American economy; consider housing, the shipping industry, oil, labor, publishing, and an almost endless list that are either directly or indirectly supported, so it seems prejudicial to single out the rice program.

I would like to digress to say to the committee that this has been said innumerable times, but I think it is the one main issue in this thing perhaps, as well as the farmers' position, that is, that this cost will fall on the low-income people of America. There is just not any question about it. That is absolutely true.

This proposal sets units of production at farm level as a control instead of acres, thus destroying the incentive for increased per acre production. This incentive is the very thing that makes American agriculture the Aladdin's lamp of the world and such destruction will be regression in a world that some economists say will soon know famine.

The section of this proposal that gives preferential treatment to the lowest production is social treatment and has no place in a rice program and will not produce the desired results. In my area in Arkansas the small acreages are usually rented by the large producers, thus affording them more income under this plan. If a farm is not an economic unit, such devices cannot insure its success; they merely aggravate the problem. A 10-acre allotment will not support a family or allow the ownership of the tools necessary to the production, so usually the answer is to rent to others who have gathered enough such allotments to justify operation.

The change of methods by which acreage allotments will be determined first requires a reference to hundredweights which in itself, means a departure from the minimum acreage in the present law and leaves little security in year-to-year allotments.

Other members have gone into this thing very thoroughly, but I do want to call it to your attention again.

Domestic certificates are to be based on so-called normal production of the farm or farmer. This will be determined by the Department of Agriculture and as has been true in the past, is a most difficult, if not impossible, thing to do with complete fairness and equity. It is a sad thing to relate but usually the biggest liars fare best.

We can see nothing in this proposal except a reduction in farm income and I wish to remind the gentlemen of the committee that reduction of the already low farm income means drastic reduction in goods and services purchased by farmers from suppliers in their area. The probable reduction in taxes over these areas will closely approximate any savings that are anticipated by the administration, for such reductions will be felt by the truck manufacturers, the oil industry, the manufacturers of farm implements and many others and will extend to the labor forces employed by these people.

If I might digress from this statement here for just a moment—if you will pardon a personal reference, I have some connection with a small machinery business in the town in which I live, and I have a small connection with a small country bank there and I know it to be absolutely the truth that a great number of the rice farmers in that area are paying some of their last year's bills out of this year's production crop alone. We get into that thing. There are mortgage debts on the farms that are constantly increasing. When anybody gets the idea that these rice farmers are fat cats, they are just kind of wrong on this thing. We bear the burden in this thing just as well. The support prices for a few years remained at a constant level while costs went up. We saw this year the lowering of the costs of the support price. So that the lowering of the support price already this year has happened in this. And this proposal, I think, would destroy it. I do not think there is any question in the world about it. I do not think that we can live with it. I do not think that the people, the merchants and the suppliers, the machinery operators, the banks, the production credit paper people or anybody else in our area can survive with a thing like this over any period of time.

The best that you can figure out for the thing is about \$4.61 support price if they give you 100 percent on the domestic portion of the crop. And if they come in there then—I am digressing, I realize, from the prepared statement, but I feel like I ought to—if you take this thing where the Secretary can support the export portion of this crop from zero to 100 percent, and he supports the domestic portion of it from 65 to 100 percent, suppose you take the low levels of what he can do, that is zero on two-thirds of the crop, so far as the support is concerned, and it is 65 percent on about 35 to 30 percent of it, and you can come out with a blended support price—and this question was asked a while ago, about 25 percent of parity—you could come out with that, 40 or 65 percent, the balance of it is zero and that is the kind of authority that this bill would confer.

Excuse me for getting off on this thing, but that is a question that was asked here a while ago, and if my figures are anything like correct at all, that is it. And if not, I would like to be corrected. That is a possibility. I do not say that it will happen. I just do not know. We do not know. But these things are possible.

When you, later, you have got to go back over all of these things, but I have to do it, because I feel very strongly about this thing. I think our reasoning is correct.

Each of the several States have civil statutes that protect the interest of tenants and why the rice industry is singled out to be the only one that is to be subjected by the Federal Government to penalties for infringement is truly beyond our understanding. It is generally true that a good and competent tenant is a gem that is to be treasured and

preserved, not abused. As a matter of fact, the laws of Arkansas give every safeguard to tenants and this is as it should be, so there is no call for Federal intervention that would make the Department of Agriculture prosecutor, judge, and jury.

I fear that section where they can set up a kind of trial, if somebody accuses you of mistreating a tenant. I never had any trouble with my tenants. And I do not know of anybody who does it. I do know why this is in there. It does not appear with any other commodity, so far as I can find out or ascertain. It is something new.

Again, this proposal from beginning to end lodges with the Secretary of Agriculture almost unlimited power over the production and milling of rice. We have great confidence in the ability and integrity of Secretary Freeman but we feel it is too much power to give any individual.

In short we can find nothing in this proposal to recommend it. We find much that is impractical of administration; we see reduction of income, a shrinking of markets in which we have made a major effort to develop; we are afraid of it.

We don't want it and we respectfully ask, we implore you, to leave the program as it is and to delete title III of H.R. 7097 completely.

Again let me express our appreciation for this opportunity to state our carefully considered opinion of this matter.

Thank you.

Mr. JONES of Missouri. Thank you, Mr. Smith.

Now, Mr. Jones, do you have a statement?

STATEMENT OF BILL E. JONES, FISHER, ARK.

Mr. JONES. Mr. Chairman and members of the committee, I do not have a prepared statement. I would like to make a short statement for the record. I do have some figures that I think would be interesting to the committee. It will be just a very short statement that will take a very few minutes.

Mr. JONES of Missouri. Go ahead.

Mr. JONES. Members of the committee, my name is Bill Jones. I live and operate a farm in Fisher, Ark. It has been said here that I am the vice president of the Rice Growers Association. I am, also, president of the Poinsett County Production Association and would like to give you some figures to indicate where the rice farmer is now.

Underlying all of this testimony, we have gotten the inference that the net income to the rice farmer will be reduced. Certainly, I think that it will be, under this proposal. I have with me some figures from the local PCA as well as from the local branch.

To go back to 1955, which is the first year of the allotments, we had in our PCA 114 rice loans, with a total volume of \$1,062,000 and an average loan of about \$9,000.

In 1960, which is the midpoint in this thing, we had 140 rice loans for a total volume of \$1,700,000, with an average of \$12,300.

Then in 1965, which is not complete—and I estimate it will go up from the figure I have now—right now the figure is 145 rice loans, with a volume of \$3,215,000, or an average of \$16,244.

I asked the president of the bank who is in the hearing room today, Mr. E. E. Hogue, Weiner, Ark., to get me some figures for 10 typical

loans from his bank to people who have been with him for a period of years, that is, that would be typical of the loans that he makes to producers. I have these figures. And these 10 people in 1955 borrowed \$74,000, or an average of \$7,400.

In 1960, they borrowed some \$139,000, or an average of \$13,900.

In 1964, the last full complete year that he had a record on, they borrowed some \$250,400, or an average of a little better than \$25,000. This, I think, is a clear indication that the cost of production of rice, certainly, is going up at a tremendous rate. It also indicates that we have not necessarily increased the production or increased our yield per acre as an incentive to make more money, or, as a matter of fact, just to stay in business. We had to increase production to the yields to meet the high cost of production and the increasing cost of production.

What has this done? What position are the rice farmers in? Well, as Mr. Smith pointed out, they are borrowing earlier. They need their money quicker to take care of some carryover debts. More and more of them are finding it impossible to make a financial statement that will justify a loan from a local bank or from the PCA or other lending agencies. More and more of them are going to the FHA. More and more of them are mortgaging their farms. Many of them are taking second mortgages. They are living up their equity in the land to stay in business.

We are getting more complaints from machinery dealers, the oil people, the suppliers, that they are having more trouble collecting their accounts, that they are having more and more past due accounts that are being built up.

If you look at what this does to the overall economy of the area or the community we are told that the dollar turns seven times before it leaves, and you can readily see what this is doing to your equipment dealers, to the oil dealers, to the other suppliers, even to the grocery man in the local communities. These dollars simply are not being turned over. And the economy is not in a very good shape as a result. Certainly, I would hope that you would give serious consideration to the proposition of deleting title III of this bill.

Thank you very much.

Mr. JONES of Missouri. Thank you, Mr. Jones.

Mr. GATHINGS. May I ask a question? I want to say to Mr. Jones that it seems to me that the matter of Federal income taxes would be reduced appreciably as well.

Mr. JONES. No question about it.

Mr. GATHINGS. By all of these various segments which would be affected. The people in the rice industry are going to pay less Federal taxes, too.

Mr. JONES. That is correct.

Mr. JONES of Missouri. I have to say that we have to recess here in a very short period of time. Do you have other members of your group that you would like to file statements?

Mr. CARTER. We would like to have your permission, sir, to introduce our group. Some of them have brief statements that they would like to make. I am not sure that any of them have statements to file.

Mr. JONES of Missouri. We will proceed for a few minutes to conclude this particular part, rather than to break into it later.

Mr. CARTER. I am going to stand over to the side, if I may, so that I can see these people and present them.

Mr. JONES of Missouri. Very well. Mr. Stalbaum has to go. He would like to ask a question before he goes.

Mr. STALBAUM. All of your testimony and, particularly, Mr. Jones' testimony, is predicated on the assumption of a reduction of the income as a result of the passage of title III, an assumption which I have not been willing to accept as yet. In this conjunction, recognizing the fact that the Department of Agriculture testified as to the title III program that it would cost the American taxpayers \$50 million less money, I will repeat the question I have asked of other farm representatives, and recognizing, too, some modifications in accounting which you have pointed out which I accept—you do not have to qualify those—I am with you on that—it is here, recognizing that their proposal does transfer the cost to the consumer of rice, would you as an alternative to title III—these would be the two alternatives that I can see that we would with a \$50 million reduction—prefer to charge that \$50 million to your producers rather than to the American consumers?

Mr. SMITH. Again, as one witness said to that same question, that is a real hard choice.

Mr. STALBAUM. I grant you that. That is your choice, but I am giving you that in my question.

Mr. SMITH. I realize that. I hope that we do not have to actually make that choice.

Mr. STALBAUM. I think that you do.

Mr. SMITH. I will answer the question.

Mr. STALBAUM. I think that this is the choice that you will have to make.

Mr. SMITH. I am going to answer you.

Mr. GATHINGS. Will the gentleman yield?

Mr. STALBAUM. Yes.

Mr. GATHINGS. It has been pointed out in the testimony today that rice is the only crop that has been called upon to make that choice. No new legislation would be required as I see it.

Mr. STALBAUM. No, no.

Mr. GATHINGS. The desirable thing for the subcommittee and Congress to do is to strike out the rice provisions in the bill.

Mr. SMITH. I will answer the question without any further conversation.

Mr. JONES of Missouri. Mr. Stalbaum has the floor.

Mr. STALBAUM. Other commodities have had to make this choice. The wheat people had to make that choice and others have had to make similar choices. I do not think that this is a new choice at all. I think that this has been up before other groups before. But getting back to my question—

Mr. SMITH. Well, it is a hard, rough deal if it is forced on us, but we will take it. It is a lot better than this thing. This thing is too dangerous. You could get a 20-percent acreage reduction the first year.

If I might point out, this question was asked earlier in the day. I do not believe it was answered—about 20 million pockets of rice or one hundredweight of milled rice that go into the domestic market, primarily for food use. The cost of this increase is pretty generally

agreed on so that it will be between 4 and 6 cents, or to use a figure of 5, which is an average of those prices. Now, if those 5 cents a pound or \$5 a hundredweight on 20 million hundredweights, under this proposal, that would add to the American citizen here \$100 million in increased cost.

We are going to reduce the cost of the present program from \$180 million, by their bookkeeping shenanigans—we are going to reduce it by \$50 million. That still leaves \$130 million in there.

Mr. STALBAUM. Is it not 20 million times 5 cents, is that not \$10 million?

Mr. CARTER. Twenty million——

Mr. SMITH. That is \$5 a hundredweight.

Mr. CARTER. That is 200 million pounds, instead of 20 million.

Mr. SMITH. That is 20 million hundredweights of rice, and that is \$100 million. I made that calculation here.

Mr. STALBAUM. I had some figures on that yesterday. I will not quarrel with you on it.

Mr. SMITH. No, sir; that is \$5 a sack and the 20 million sacks would come under this.

Mr. JONES of Missouri. I dislike to interrupt you, but we have had a bell for a call to the floor. So we are going to have to break into this now and take a recess, and be back here at 1:30 o'clock.

Mr. SMITH. Could I just say one more word?

Mr. JONES of Missouri. You will have to make it pretty short.

Mr. SMITH. I think that these figures are correct. If it is \$100 million, you still have \$130 million, the total amount to the American citizen here which will be \$230 million now, instead of \$180 million.

Mr. JONES of Missouri. We will come back here at 1:30.

Mr. SMITH. Thank you, Mr. Chairman.

(Whereupon, at 12:30 p.m., a recess was taken until 1:30 p.m., the same day.)

AFTERNOON SESSION

Mr. JONES of Missouri. The committee will come to order. Do you have any other witnesses there, Mr. Carter?

STATEMENT OF L. C. CARTER, EXECUTIVE VICE PRESIDENT AND GENERAL MANAGER, ARKANSAS RICE GROWERS COOPERATIVE ASSOCIATION, STUTTGART, ARK.—Resumed

Mr. CARTER. Mr. Chairman, I would like to have the privilege of introducing the delegation that came up from Arkansas. Some of them will make very, very brief statements. Others will stand and be recognized. I am going to stand over here so I can find them.

From the First Congressional District of Arkansas, and I might say, gentlemen, that we grow rice in Arkansas in three of the congressional districts, in Congressman Gathings' district we have the following people here, and I will call their names. We would like for them to stand. If they have a word they would like to put in the record we would like to hear it.

Joe L. Burns of Jonesboro.

Mr. BURNS. No statement.

Mr. CARTER. G. E. Stewart of Wynne.

Mr. STEWART. No statement.

Mr. CARTER. Paul Wolf of Fisher.

Mr. WOLF. No statement.

Mr. CARTER. Leonard Sitzler of Weiner.

STATEMENT OF LEONARD SITZLER, WEINER, ARK.

Mr. SITZLER. All I have to say, Mr. Chairman, is all the farmers in our area are opposed to the proposed farm plan.

Mr. CARTER. Paul Moore of Success.

Mr. MOORE. No statement.

Mr. CARTER. W. S. Simpson of Parkin.

Mr. SIMPSON. No statement.

Mr. CARTER. Lloyd Diebold of Hickory Ridge.

STATEMENT OF LLOYD DIEBOLD, HICKORY RIDGE, ARK.

Mr. DIEBOLD. I represent the Hickory Ridge Grain Growers, consisting of about 200 families, and also a lending institution that loans some \$13 million to rice farmers.

Pardon me for a personal statement, but I have two boys. One boy is an insurance salesman and the other one, I mortgaged my farm and took him to Mississippi and bought a 600-acre rice farm in Mississippi for him, and any reduction in the rice program cutting acres or the price for the boy that bought that farm on such a close margin, that he will lose the farm.

All of my members want me to oppose this legislation. Thank you.

Mr. CARTER. Now from the Second Congressional District we have the following people:

Erik F. Jensen, of Stuttgart.

STATEMENT OF ERIK F. JENSEN, STUTTGART, ARK.

Mr. JENSEN. I would just like to say a word. Of course we are only interested in economy, and we have got to economize, because we would be in bad shape if we don't know what it is. They are concerned about our national debt. So many members say why do we get that reduction in income tax and now get this burden put on us which will be much worse than it was before. They would rather leave income tax as it is, it means so much to them, and it would help out.

Further, this \$50 million, they seem to say that is figured out on the basis of what domestic consumption is, but certainly domestic consumption will drop so that figure will not be an actual figure, I am sure, because it is a fact we know it will drop because you cannot raise prices and expect commodities to sell.

It proves itself pretty well in the auto industry, because with all the foreign makes, the people are not going to pay these big prices when they can get something that does the job for a little less money, and I think that proves the point pretty well.

Thank you.

Mr. CARTER. Stewart Jesup, of Almyra.

STATEMENT OF STEWART JESSUP, ALMYRA, ARK.

Mr. JESSUP. Mr. Chairman, I am Stewart Jessup, of Almyra, Ark., a ricegrower, a member of the ASC county committee. I would like to say that this proposal has possibly caused more discussion among the farmers than anything that has come along in my memory, and I would also like to say on behalf of the Arkansas County Bureau, about 1,600 members, which has done quite a lot of work, putting forth an effort in the country to get the facts of this thing out, discuss it with the farmers, that the farmers in Arkansas can't see where there is anything in this proposal for them. I make that statement on behalf of our president, who at the last moment couldn't be here because of a change in plans.

Also from the standpoint of administering this program, which has been touched on numerous times before in this testimony, the ASC committeemen are not looking forward to this, not from the standpoint of the extra work that it is going to cause, but from the standpoint that it is virtually impossible to do a job that you can go home and sleep on, because you just can't get the information that you need to set this up in a way that we would like to have it set up. We don't have those figures available. It has been pointed out before sometimes the biggest liar gets the biggest share.

I think we are unalterably opposed to this title III, the rice producers of Arkansas County. We just can't find those folks that are in favor of it.

Thank you.

Mr. JONES of Missouri. Thank you.

Mr. CARTER. Carl Garrich, from Carlisle.

STATEMENT OF CARL GARRICH, CARLISLE, ARK.

Mr. GARRICH. I am the president of the Lonoke County Association and also president of the Lonoke County Farm Bureau. I represent about 500 members, in excess of 500 members.

We have a total membership of 1,050 Farm Bureau members, and about 500 of them are rice farmers, and over a group of meetings we firmly oppose this title III in this bill, and I would like very much to be able to go home with a very encouraging answer.

Thank you.

Mr. JONES of Missouri. Thank you.

Mr. CARTER. Melvin Hula, of Hazen, Ark.

STATEMENT OF MELVIN HULA, HAZEN, ARK.

Mr. HULA. I am from Hazen, Ark., president of the Hazen Grain Dryer Cooperative, also of the Hazen County Farm Bureau.

Mr. Chairman, I would like to state, hoping I don't repeat too much of the information you already have here today, that all of our neighbors, all of my neighbors in the town of Hazen, which is about 1,400 population, as well as rice farmers, are opposed to this program because they already have seen some repercussions from this.

The implement dealer in our town is the vice president of the Mid-south Implement Dealers Association, and he told me just a few days ago that farmers are already being concerned as to what will happen

to them in the next year or two, if this program should be enacted. I would like to see that we will be able to keep our present program.

Thank you.

Mr. JONES of Missouri. Thank you.

Mr. CARTER. Joe Skarna of Des Arc.

STATEMENT OF JOE SKARNA, DES ARC, ARK.

Mr. SKARNA. I am Joe Skarna from Des Arc, director of Des Arc Grain Dryers, chairman of the Farmers Home Administration of Prairie County.

I know you have touched all of these things two or three or four times. There has been little said about the effect of reduction of income to the farmers and the community as a whole.

I would like for you to think of that a little. My town that I call home is a little town of 1,700. We have got about 200 rice farmers in our dryer organization representing approximately 10,000 acres of rice, nearly 900-million-bushel production.

If you take 10 percent of the value of that rice off, why we are talking about \$200,000 or we are talking about 10 percent reduction in acreage, we are talking about 204,000, and the effect on the economy in a community like Des Arc, with 1,700 people, an impact like that is to be felt.

The chamber of commerce tries continuously, and I am a member, to get interested in this thing for the community. Yet we could possibly lose more through this than we could by failure to acquire industry. I wish you would think about our town.

I wish to say all the farmers to a man are opposed to this. They did not say it is all right for you to go up there. They said by all means go up there. They said by all means go up there and say a word for us.

Mr. JONES of Missouri. We have just been honored with the presence of one of our most distinguished colleagues in the Congress, the Honorable Oren Harris, chairman of the Interstate and Foreign Commerce Committee. We are mighty happy to have you, Congressman Harris. If you care to make a statement, we would appreciate it.

STATEMENT OF HON. OREN HARRIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS

Mr. HARRIS. Mr. Chairman and members of the committee, thank you very much. I came here just to enter my appearance and to join many of the most important farmers and constituents of our State and our district and others who are appearing here in the interests of this program.

I would not impose upon the time of this distinguished committee, in view of the fact that you have so many witnesses here, but I did want you to know, Mr. Chairman, that I am tremendously interested, and I share the concern of so many as to the effect of the proposed program on the rice program.

We have substantial rice farming in my district. I hope that there will be no action taken that would penalize the farmers. I know the committee has a tremendous problem in working this matter out.

You will hear from some constituents of mine during the course of the hearing, and I want to say that Mr. T. A. Prewitt, Jr., of McGehee, Ark., and Mr. Bob Stimson of Dumas, Ark., Mr. Jack Gibson of Dermott, Ark., and Mr. T. A. Prewitt of Tillar, Ark., are with this group of distinguished people from our State. I would appreciate your hearing them.

I do want you to know that I am very interested in this program, and I want to join them and others in seriously asking the members of this committee to give the usual careful and most considered attention to this problem in the interests of all of our country as well as the rice farmers from Arkansas and other sections.

I just wanted to make my appearance here to join them and thank you very much.

Mr. JONES of Missouri. We know how busy you are and how difficult it is for you to be here. We are very happy that you are here, and we are hearing from all of the people who care to make statements, and have announced that those who do not care to make statements may file them for the record, and it will be in the printed hearings, and I can assure you that the committee is cognizant of the importance of this problem, and so far it has been kind of a one-sided argument, but we are taking it all in.

Mr. HARRIS. Thank you, Mr. Chairman, for the attention you have given. Actually there is only one side to this program.

Mr. GATHINGS. I just want to say, Mr. Chairman, that my colleague from Arkansas, Mr. Harris, has consistently worked in the interests of agriculture in our State, the rice farmer, cotton farmer and farmers in general, and I commend him highly over the years for the fine work and services he has rendered to our people.

Mr. HARRIS. Thank you. I appreciate the very kind words of my colleague, and we are depending on you to do this. We know you are going to do it.

Mr. JONES of Missouri. Mr. Carter.

Mr. CARTER. Thank you, Congressman. I about lost my place.

R. E. Short.

Mr. SHORT. No statement.

Mr. CARTER. May I make a statement for Mr. Short. I think many of you perhaps knew his father, who at one time was Assistant Secretary of Agriculture. We are very proud to have Mr. Short up here as one of our delegation.

Mr. James Mason.

Mr. MASON. No statement.

Mr. CARTER. I want to go back to the Fourth Congressional District of Mr. Harris and call that list again. He did not give you an opportunity to make a statement, so Mr. Prewitt, Jr., would you like to make a statement?

STATEMENT OF T. A. PREWITT, JR., McGEHEE, ARK.

Mr. PREWITT. I would like to thank the committee for the privilege of appearing before you and for your consideration that I know you are going to give this very important legislation.

Thank you.

Mr. JONES of Missouri. Thank you, Mr. Prewitt.

Mr. CARTER. Mr. R. B. (Bob) Stimson of Dumas.

Mr. STIMSON. No statement.

Mr. CARTER. Mr. T. A. Prewitt, Sr., of Tillar, Ark.

STATEMENT OF T. A. PREWITT, SR., TILLAR, ARK.

Mr. PREWITT. I would like to thank this committee for giving us this hearing, and ask your support in voting against this bill.

Mr. CARTER. Have I overlooked anyone?

Mr. Gipson is going to make a statement later, and so is Mr. Fowler, who is part of the Arkansas group. I did not introduce them because they will appear on the program at a later time.

Mr. GATHINGS. I would just like to ask Mr. Carter do you have on your list W. W. Shaver, Jr., of Wynne, Ark., and A. E. Bassham, of Wynne, Guy McBeene and Bill Urfer?

Mr. CARTER. No, sir; we do not. Every time we look up and see somebody else from Arkansas in opposition to this bill whom we didn't know was coming. If they are here we would certainly like to give them an opportunity.

Mr. JONES of Missouri. Do either one of these gentlemen, Mr. Shaver, Mr. Bassham, Mr. Guy M. Beene or Mr. Urfer, have a statement to make?

Mr. CARTER. They are not in the program at the present time.

Is Ernest Hogue in the room at the present time?

Mr. HOGUE. No statement.

Mr. CARTER. Mr. Hogue is a banker at Weiner. That is all the testimony we have. If you have any more questions we will be glad to try to answer them.

Mr. GATHINGS. I would like to ask you gentlemen, either one of you, Mr. Carter, you are familiar with the present rice law that is on the statute books I assume.

Mr. CARTER. Yes, sir; I think I am.

Mr. GATHINGS. What authority does the Secretary of Agriculture have now with regard to the rice program?

Mr. CARTER. Well, in regard to the present rice program he has the authority to set the acreage at not less than 1,650,000-odd acres, and to set the support at not less than 65 percent of parity.

Now under the new legislation he has the authority, and only about two direct authorizations from the Congress, if it were passed, one is to fix the support on the rice used in the domestic market, which would be somewhere in the neighborhood of 35 to 37 percent at not less than 65 percent of parity, and to fix the acreage at that level which he thinks would produce at least 60 million hundredweight.

Now the rest of the bill is almost totally at the discretion of the Secretary. It gives him unlimited authority entirely in administering this program.

I would like to add to this statement the fact that we know Secretary Freeman. We have the utmost confidence in him that he would administer this law and his people would as well as he could. But we just don't think any man ought to have this much authority in any agricultural or any other kind of legislation.

Mr. GATHINGS. Although the present Secretary might administer this program wisely, yet we might have a Secretary in the future who would not.

Mr. CARTER. This law might last for 10, 15, or 20 years. We don't know how long it would last. Therefore, we want to look at the law and not the people involved in it. This is the thing that is important. We want to look at the law.

Now we have a wonderful relationship with the people in the Department of Agriculture, and have had for 40 years during the life of our organization. We work closely with them, and they are all our friends, and we know them and we talk to them about our problems. But we just don't think that any legislation should grant this much authority to anybody.

Mr. GATHINGS. I just want to say this. You gentlemen have brought us some fine statements, and one thing in particular. Your statement as I recall gave us something that has never been touched upon during the hearing, and that is that on an acre of rice as compared with an acre of wheat, there was three and a half times the volume in bushels produced on that acre of rice.

Mr. CARTER. That is correct.

Mr. GATHINGS. As against an acre of wheat. So if we have got a cost here of \$100 an acre as has been stated, and I don't know whether that is a proper figure or not, I doubt that it is, but in any event the mere fact that you have got a situation that is so much higher in production that we have here against some other crops that that ought to be taken into account.

Mr. JONES of Missouri. Mr. Carter, you mentioned Joe Rice Dockery. We will insert his statement in the record at this point.

Mr. CARTER. He asked that we do that, and he also wanted to be recorded as supporting this statement that the Arkansas group has made.

(The statement of Joe Rice Dockery follows:)

STATEMENT OF JOE RICE DOCKERY, MISSISSIPPI RICE GROWERS ASSOCIATION

Mr. Chairman, members of the Rice Subcommittee of the House Subcommittee on Agriculture. I respectfully submit for the record this statement in behalf of the membership and the board of directors of the Mississippi Rice Growers Association.

Although Mississippi ranks fifth in U.S. rice production, with a basic allotment of 50,811 acres, we consider rice one of our most important crops in the Mississippi Delta and most vital to our economy. We believe that a "Two Price" or "Certificate Plan" for rice at this time would be detrimental to the entire U.S. rice industry and would weaken our State Department in their foreign program. Rice is a world crop and of vital importance in political circles throughout the world.

This proposed plan would impose on Puerto Rico a cost of some \$16 million which we feel that they are unable to bear at this time. The overall cost of this program would be transferred from the general taxpayer to the consumers of rice who are normally in the lower income groups.

The Department of Agriculture and the administration continues to ignore the fact that our State Department needs our rice in their Public Law 480 and their food-for-peace program.

At best, this program would maintain farmer income at the reduced level that we are subject to this year; also, should this program fail, and there is every reason to believe that it will, we would lose 350,000 acres of rice production in our allotment and approximately \$80 per acre gross income on this reduced acreage.

We sincerely believe that the present legislation on rice is adequate and is in the best interest of the U.S. Government and the rice industry.

Through the years the rice industry has strived to cooperate with the Department of Agriculture and the administration and we sincerely recommend that title III of this farm bill be eliminated.

Mr. JONES of Missouri. I think we will take these other gentlemen from Arkansas now. Is Mr. Lehman Fowler of the Arkansas Farm Bureau Federation ready to testify?

**STATEMENT OF LEHMAN C. FOWLER, AMERICAN FARM BUREAU
FEDERATION, BRINKLEY, ARK.**

Mr. FOWLER. Mr. Chairman and members of the committee, I am Lehman Fowler. I am a rice farmer and live at Brinkley, Ark. I am a member of the board of directors of the Arkansas Farm Bureau Federation and am appearing before you in behalf of that organization. The organization has a paid membership of 51,643 in affiliated county farm bureaus in each of the State's 75 counties. More than 95 percent of Arkansas' approximately 7,000 rice farmers are members of their county farm bureaus and Arkansas Farm Bureau Federation. Most certainly, for years that organization has concerned itself with all the problems of farmers, including those of rice farmers.

The Arkansas Farm Bureau has for any years had a policy opposing a certificate plan for rice. Our organization has not heard from a single member that supports this rice legislation. There are many reasons that rice farmers oppose this bill.

No. 1. The present program is working satisfactorily. There is no surplus of rice and has not been for the last few years. Several of our national leaders including Congressman Gathings and Congressman Mills have used the rice program as the best example of how a commodity program should work.

No. 2. The domestic certificate plan for rice proposes to shift the cost to consumers. It would raise the price of rice 4 or 5 cents a pound. Housewives would resent this and would purchase less rice.

While the average consumption is about 7.5 pounds per person, many people eat more than 100 pounds per person.

The brewing industry purchases a lot of our rice. This is a very competitive area. Brewers rice has decreased in price from \$7.50 per hundredweight to about \$4 per hundredweight. In fact most of the decrease in price that farmers have received for their rice in the last few years is due to the decrease in brewers. An increase of 25 percent in price to this industry would definitely reduce their consumption. The same would be true with the breakfast cereal industry, which is another big consumer of rice. I believe an increase of 25 percent in their price would cause this industry to shift their advertising and promotion to other grains.

Any decrease in consumption would nullify the promotional campaign that has raised the consumption of rice in recent years. Farmers have financed this program themselves. Our organization has been very active in this work. Each county Farm Bureau in our rice area has carried on a promotional campaign each year.

No. 3. The costs of the rice program have been cited as being excessive. I believe when you consider what a useful tool rice has become in our foreign aid program that this cost can be justified. In fact I think practically the entire amount spent under Public Law 480 and charged to rice should be considered as foreign aid. When I take the amount spent per bushel to subsidize our dollar sales of rice I cannot get near as large a figure as has been charged under this

program. This tells me that the farmer gets a very small percentage of the money. The rest must go for administration.

No. 4. We are now allotted about 10 percent above our minimum acreage. The authorization to cut back the minimum allotment to 60 million hundredweight would mean a cut of 19 percent. I cannot understand why in 1965 we have an allotment 10 percent above the minimum acreage and legislation proposed for 1966 and 1967 that would permit a reduction of 9 percent below our present minimum allotment.

I do not believe all of our rice farmers can adjust to a 19-percent cut in acreage. I know that our local economy will be hurt. If rice farmers receive a 19-percent cut in acreage their purchases of farm equipment, made in Illinois, Minnesota, and other States will be reduced more than 19 percent because most of us can get along with our present equipment for a few years, if this untried, unproved program is passed.

Practically all of any reduction in rice in Arkansas would be shifted to soybeans. I need not point out what problems could arise there.

Most rice farmers rent some of their rice acreage. I believe that if any efficient rice farmer's allotment is cut he will attempt to rent additional land therefore some small and inefficient farmers would have to seek employment elsewhere. This would be a group that is already causing a burden on our unemployment rolls.

No. 5. It would be hard to make future plans. Most farmers finance their farm equipment and other capital expenditures over a 3- or 4-year period. Since the Secretary of Agriculture has complete authority to set support price, rates of payments, determine how much a farmer could produce by using the projected yield, and use CCC stocks to set the market price it would be impossible to borrow money to be paid back by future crops.

No. 6. This bill would be hard and expensive to administrate. The high cost of administration would make it necessary to increase the cost to the consumer in future years if we start this new policy of letting consumers pay for a general program such as this.

A shift from acres to unit control would necessitate farmers establishing their previous production. Rice farmers have had some experience in this field. Again it would be a case of the biggest liar getting the biggest allotments.

Farmers fear unit control.

No. 7. Another bad feature of this bill is the possibility of rice farmers not being given certificates if they were not in compliance with other crops. Overplanting of cotton or wheat by 1 acre might prevent a farmer from getting his certificate.

No. 8. I am a renter. I own less than 10 percent of my rice allotment. I see no need for the social legislation which would cause a farmer's allotment to be lowered if a tenant or sharecropper was mistreated. We have plenty of laws that protect people from abuse.

The Arkansas Farm Bureau appreciates the opportunity of appearing before this committee, Mr. Chairman.

Thank you.

Mr. JONES of Missouri. I want to thank you, Mr. Fowler. Do you have any questions, Mr. Gathings?

Mr. GATHINGS. Mr. Fowler has been here before us a number of years ago, and this is his second trip to Washington to testify with regard to rice.

I recall several years ago we had a problem in rice that came up in the House Committee on Agriculture. The State of Arkansas sent two men to Washington before this committee, and Mr. Fowler was one of them. He has again done a splendid job.

Mr. JONES of Missouri. Thank you, Mr. Fowler.

Mr. FOWLER. Thank you, sir.

Mr. JONES of Missouri. Mr. J. A. Gipson, the Agricultural Council of Arkansas.

**STATEMENT OF J. A. GIPSON, AGRICULTURAL COUNCIL OF
ARKANSAS, DERMOTT, ARK.**

Mr. GIPSON. Mr. Chairman, I don't have a prepared statement, but I have a few remarks I would like to enter into the record.

I am J. A. Gipson, of Dermott, Ark., a rice producer, and I am representing the Agricultural Council of Arkansas.

Members of the committee, there has been so much said here today that I do not wish to repeat it, but I would like to go on record as concurring in all opposition that has been put before the members of this committee to the title III omnibus bill concerning rice.

I would like to emphasize one or two statements that we think are very important and that are detrimental factors in this bill:

(1) We are strongly opposed to the shift of acreage to pounds in allotment determination. We think that is a dangerous facet of this bill, and we strongly oppose it.

(2) We oppose the discretionary power that the Department of Agriculture and the Secretary have in this bill.

(3) We see no benefit to be derived by a small producer, a small allotment in this bill. In our State all small allotments are consolidated into workable economic units by various people. There is no small producer of 15 acres, and things like that in our State.

(4) We see no reason that the tenant protection clause should be in this bill as in our State we have a very harmonious working relationship between landlord and tenant, and any protection that a tenant needs is covered by the civil statutes of the State of Arkansas.

The last statement that I would have is this. I have heard members of the committee, especially one, ask this question of people testifying here today. The Agricultural Council of Arkansas would like to go on record that we would rather have the present farm rice bill to operate under even if we had to take a reduction in cost and acreage, than the present bill that is being proposed here today.

We do not feel, however, that it is necessary to have a cut in price or acreage at this present time. I thank you for letting the council appear before you. Thank you, gentlemen.

Mr. JONES of Missouri. We thank you for coming and appreciate your not repeating so much, because we are getting down to the point now where we are having a lot of repetition of course, but we appreciate your appearance here.

Mr. GATHINGS. Mr. Chairman, I would just like to say to Mr. Gipson that we appreciate so much the statement of the Agricultural Council

of Arkansas. It started out as a cotton organization. I understand now that you have a lot of rice members.

Mr. GIPSON. Yes, lots of them.

Mr. GATHINGS. Mr. Gipson, you stated that it is the feeling of the Agricultural Council of Arkansas that if it came down to the question of whether you would want the certificate plan for rice or whether you would take the other alternative as suggested by my good friend here from Wisconsin, Mr. Stalbaum, that you would take the latter, is that right?

Mr. GIPSON. That is correct, Mr. Gathings. We want no part of this new certificate plan of rice. We do not feel that we should take a cut of any kind, because we think if the figure they are putting out, \$30 to \$50 million, it can be saved within the present bill with a little better administration.

Mr. GATHINGS. The gentleman is one of the most distinguished members of our committee, and I think a lot of him. By the way, he has a good background too, to be with us on this committee. He always does bring us some important suggestions and opinions, being a member of this committee. I do cherish his friendship.

But I want to say this now, that we would not be saying by those words that this figure of \$50 million, which is just reached up into the thin air and pulled out, is going to be paid by the poor people who eat rice, and we ought not to single out rice as being the one commodity that is going to balance the budget. That kind of program is unrealistic.

Mr. STALBAUM. Will the gentleman yield?

Mr. GATHINGS. I yield.

Mr. STALBAUM. First I want to thank him for his fine remarks. I don't think there is any dispute that we want to avoid having this program charged against the poor people.

I think there is extremely good evidence submitted along that line at the hearing. The only point I was raising, and I suppose it is somewhat academic, was the fact that this program presumably would cost the taxpayers \$50 million less than the present program, at least based on their own projections, and if this were refused and they still felt they had to operate with the same amount of money, in other words if this was the sole criteria, I will concede that I stated the question rather harshly to get a harsh answer, but I am willing to review it further, Congressman Gathings.

Mr. JONES of Missouri. Thank you very much.

We have some other Arkansas witnesses who would like to make brief statements.

Mr. W. W. Shaver, Jr., Mr. A. E. Bassham, Mr. Guy McBeene, Mr. Bill Urfer, Mr. Roberts and Mr. Hogue. We will appreciate it if you could make your statements short. If you care to file a written statement later you may do that. Just give your names as you appear to the reporter.

STATEMENT OF W. W. SHAVER, JR., WYNNE, ARK.

Mr. SHAVER. My name is W. W. Shaver, Jr. I am a banker and an automobile dealer. I loan money for the Prudential Life Insurance Co., and I am in the real estate business. I live at Wynne, Ark.

Mr. JONES of Missouri. Do you wish to make any other statements now, Mr. Shaver, in regard to the bill?

Mr. SHAVER. Do you want me to make a statement now?

Mr. JONES of Missouri. If you would.

Mr. SHAVER. I just had something that I thought might be of interest to the committee. The first thing I would like to say to the committee is I want to praise you for the magnificent job that you have helped us do so far. Your Agriculture Committee has great responsibility, and I know it and everybody else knows it. You make mistakes just like anybody else does. We want to thank you for your great efforts.

You helped take a country down in our area that was nothing but a water moccasin den, and turned it into a magnificent country, and I want you to know it, and I don't want you to do anything to it that would hurt it.

I sell automobiles. I have had my hand on most all of the rice farmers in that area for years. I have been selling cars since 1919. I have seen the country grow out of a wilderness into a magnificent area. Please let's not mess it up.

You have helped us get rid of the threshing machine. You have put us in combines. You have made available for us dryers. We thank you very much for it, my dear sirs.

You have spent many hours trying to help us, and we want you to know how proud we are of you up here. We don't want this bill touched. Instead of touching the bill, there is only one way we want it touched. We want you to turn it around and go back the other way.

We have no business ever cutting a farmer. The farmer is your beloved friend. He is out yonder this evening with his hair running through the top of an old hat behind that back 40 plowing like the devil just so you can sit up there, so we can all sit up here and look pretty and ride in a pretty car and everything like that.

If you are going to cut anybody, please cut somebody else. Don't cut the farmer, God bless his precious heart. He is out there taking care of us. He is producing the food for us. Don't pull the rug out. Let's don't pull the rug out from under him.

I don't believe there is a man on this committee, not one single man on this committee that wants to go down as having been for this bill really and truly, I don't believe, just because he is a farmer. God bless him. He is running the No. 1 plant of America today, that is what he is doing. That is the farm plant. Let's recognize him as such.

I have talked to many people. I know probably 10,000 people by their names in my area, as long as I have been selling cars. Nobody wants the program. They want you to put back what you have taken off. Let's reverse the program.

I am on a college board, Arkansas College. When I hear that they want to cut the people who work in the colleges, the teachers, you know we are going down. We don't ever want to cut them. We can't run a college by cutting the salaries of the teachers no more than we can run this farm without continuing to think of their progress.

Another thing I would like to talk about, and I know you don't know it. Do you know what a tractor costs today? \$7,500. Do you

know what a combine is now? From \$12 to \$15 thousand. Do you know what a disk harrow is now? \$2,500.

Think of such a thing. Think of that man having to pay all that money out for all that stuff to make this rice. Think of his anxieties. Please don't let's pull the rug out from under him. Let him go on. We have built him a beautiful thing. Let's don't get the rice program in trouble, gentlemen.

I am sitting on a bank board. When a rice farmer comes up to the bank and wants to borrow money, the first thing we ask him is what is his allotment. He says, "My allotment is 150 acres." Well, we figure that he will produce 100 bushels to the acre. He wants to borrow \$15,000. He has got the money that quick. This new program comes on. What happens? We don't know what we are doing. We don't even want to loan him money unless we actually know what we are doing.

Just a minute more, gentlemen. Another thing, too. Do you realize that right now we could get this farm deal in a collapse program? Did you know that every departure we have had has killed the farmer practically? It has killed him. I was selling cars in 1932, and rice was 32 cents a bushel. Of course there wasn't any floor on the rice. A cow was \$8 a hundred, think of that.

I bought land at that time, 50 cents an acre. Just listen to this. We have land values up. Land values are security today, additional security today for rice loans. When we pull the rug out from under the rice farmer we are going to or we may start a good depression, because we have got enough rice farmers to do it. It could set up a chain reaction, and we cannot afford to take that chance.

Another thing too. With the international situation, what are we cutting rice for? We are in a war right now. Do you realize that? The very idea of us cutting the rice program down with our fellows fighting in Vietnam. It is ridiculous. We ought to be trying to see how many more acres we can add to it so we can help out on that deal.

Another thing, cheap food prices, the idea of rice being \$1.90 a bushel now and \$2.10 a bushel. It is ridiculous, with tractors \$7,500, disk harrows \$2,500, combines as high as they are. It is ridiculous.

Another thing, why haven't we found out how much rice we should have charged to Defense instead of just charging it promiscuously around, just most anything we have, and then coming up here with a bill on the rice farmer and telling him we are fixing to cut him because his bill is \$180 million. If this thing doesn't work out, here is the condition we are in.

We can't buy any more tractors from Case Tractor Co., too high. We don't buy any from John Deere, International, or any of them. Our car business is going to have a repercussion. Our land business, the people who have already bought land and owe all this money for land are going to be in a bad fix. They are going to have to pay for it whether they want to or not.

We can't buy any more fertilizer. We can't buy more appliances. Land that has been bought on credit is in trouble.

I respectfully ask you gentlemen of the committee, don't let one man—listen to this—come up before the committee to knock that in the head, to change that rice program. Don't let one man on the com-

mittee come up. We want the rice program left as it is, and instead of leaving it as it is, we want to go back the other way. We want to have the glorious knowledge of knowing that we are pushing up all the time rather than pulling down. My name is W. W. Shaver, Jr., Wynne, Ark. Thank you.

Mr. JONES of Missouri. Thank you, Mr. Shaver. Mr. Bassham.

STATEMENT OF A. E. BASSHAM, WYNNE, ARK.

Mr. BASSHAM. I am A. E. Bassham, and I am from Wynne also. I haven't gone into the technicalities of this, and I don't know how much money it will save or how much it will cost the farmer or how much it will cost the U.S. Government. I know that it will definitely affect our business.

I happen to be in a position to see folks' financial records over the years. As they come up and review their past years, and planning for next year's business, why they will invariably want just a few thousand or a few hundred, depending on their size, more money than they got the year before.

I will say, "Well, do you have a little more acreage?" They will say, "No, I will have 10 or 15 acres less." So it is very obvious in our case that it is costing the farmer more to farm every year, and it will definitely, very definitely affect the institution which I represent.

Mr. JONES of Missouri. Thank you, Mr. Bassham. Mr. McBeene.

STATEMENT OF GUY McBEENE, WYNNE, ARK.

Mr. McBEENE. Mr. Chairman, members of the subcommittee, I don't have a prepared statement, but I am a producer from Wynne, Ark.

There was a question asked two different times this morning that I would like to make a brief statement on, by one of the subcommittee members. The question was asked if you are taking this cut, is it best to take it from the consumer or the producer.

I am not here to tell you my financial problems, my personal problem, but I would like to say that I as a producer cannot stand any more of a cut in the price of rice. We are down to the point that with the payments that we are trying to make on our farms, that we cannot go any lower and continue. I was raised on a farm, and I would certainly, if at all possible, like to continue there.

Thank you.

Mr. JONES of Missouri. Thank you, Mr. McBeene. Mr. Urfer.

STATEMENT OF WILLIAM URFER, WYNNE, ARK.

Mr. URFER. Mr. Chairman and members of the subcommittee, I am Bill Urfer from Wynne, Ark., a J. I. Case equipment dealer from Wynne. I am also a member of the Midsouth Farm Equipment Dealers Association, a member of the Chamber of Commerce of Wynne on the agriculture committee.

I am also a member of the Junior Chamber of Commerce of Wynne, a member of the Farm Bureau, and a member of the Arkansas Rice Growers Association of Stuttgart.

I would like to say for the ones who didn't get to be here, and from the Midsouth Farm Equipment Dealers Association, we are happy

with the present program. We do not want to see it changed on this title III. We just don't want the thing affected at all.

We want to pick it out and leave things like they are, because things are going smoothly. They could be better, but at least we are getting by.

Also, as Mr. Shaver stated, this equipment is high. Sometimes I wonder myself in selling to the farmers, I wonder and hope that they do make a crop so they can pay for this equipment.

I would say out of all of my sales, that there is only about 1 percent of the farmers in my community that I sell in, which is Cross County, and a few surrounding counties, that just about 1 percent could come in my store and buy one of those \$7,000, \$8,000, \$9,000, and I have got a tractor down there that sells for \$15,000.

There is only about 1 percent of them who could come in and write me a check, without having to go see the banker, go to the PCA, go to CCC, these finance places to borrow money, to get money to buy this equipment with.

The finance companies, the bankers, the Production Credit Association, even FHA, they are stretching these payments out for the farmers. Instead of paying for it in 2 years, they are stretching it out to 5 years. One particular finance deal has a 7-year plan.

But these farmers can't pay for this stuff in one or two crops on this machinery to make these crops in 1 year. It takes them 5 years to do it. At the end of those 5 years it is worn out and obsolete, and they have to trade it off, get what they can get out of it, and go right back in debt. In other words, it is an endless chain.

This morning Mr. Jones, from Fisher, made a statement that it was hard for the farmers to pay these parts bills, and these machinery bills for their parts, and the labor to keep this machinery going. I certainly agree with him on that.

It is hard for these farmers to meet all of this out of their crops, because sometimes it just comes short, and they just don't have enough money to go around to take care of all of their expenses that they have put into that crop.

I will say that rice, if they make a good crop with the present program that they have to work with now, it will just about pay their obligations each year for their equipment and their fertilizer and their DDT and 2-4D and seed and all that they have to buy to make these crops with, and their labor and tractors and what have you.

Of course, they can't pay for this machinery all in 1 year off of this crop. In other words, they can just make their payments on it. Most of them now are setting these payments up on the machinery on a 4- to 5-year basis, and depreciating it out as such.

Then the soybeans that they raise, some of them have to spend quite a bit of that to help meet their obligations. What they have left out of their soybean crop, that is what that man, his family, and his children live on.

I would like to say again, speaking for the organizations, the wonderful organizations which I am proud to be a member of, again that we are definitely against this title III of this bill 7097. We are happy with the way things are going. I think we can make it if it will stay that way, and we definitely don't want to see this new title III bill go into effect.

Thank you, sir.

Mr. JONES of Missouri. Thank you.

Mr. Roberts.

STATEMENT OF W. D. ROBERTS, JR., WEINER, ARK.

Mr. ROBERTS. I am W. D. Roberts, Jr., from Weiner, Ark., a rice producer and also a rice miller.

The evidence here today has strongly urged you to delete title III from this farm bill, and the evidence shows that it will hurt the farmer if you will not do that.

But speaking as a miller, 80 percent of my output is going into domestic trade, and as shown here also today, the domestic consumption of rice will go down considerably if this bill is passed. That will affect my business that much, as much as I lose, because all of my business goes to domestic production anyway.

In the small community where I live, we have one mill in that community, and the way I will have to curtail my operations and put people out of employment, that is going to hurt the economy of that whole section where we live around there in Weiner, Ark.

Bankers there are very concerned about our operating money for loaning money to the farmers. To prove that Mr. Hogue is here today, and it is very critical to our area if this happens. We ask that you please delete title III from the bill now before you.

Mr. JONES of Missouri. Thank you, Mr. Roberts. Mr. Hogue.

STATEMENT OF E. E. HOGUE, WEINER, ARK.

Mr. HOGUE. I am E. E. Hogue.

Mr. JONES of Missouri. You are from Weiner, also?

Mr. HOGUE. Yes, sir. All of the farmers as well as the businessmen, rice millers, seriously object to this title III. They think it would be a very severe detriment to the rice producers and the economy of the whole country.

It seems to me like the big issue in this is the cost. Well, I believe that if that is properly analyzed, the information we get is that there would be a lot of this that wouldn't be charged to the rice program.

I think you gentlemen know that, and I believe that if you consider the benefit of other things such as schools and the benefits of foreign aid and whatnot, that a lot of this cost could be eliminated from the rice program. So we just hope that you can see fit to leave the rice program as it is, and not include this new program. Thank you very much.

Mr. JONES of Missouri. Thank you, Mr. Hogue. Are there any other people from Arkansas who haven't been heard?

The next witness we will put on a little out of order, because he has to get back to New York, Mr. Oscar Gonzalez-Suarez.

**STATEMENT OF OSCAR GONZALEZ-SUAREZ, TESTIFYING FOR
PUERTO RICO RICE CONSUMERS OF NEW YORK CITY**

Mr. GONZALEZ. Mr. Chairman, my name is Oscar Gonzalez-Suarez. I was born in Puerto Rico, but I now live in the Borough of the Bronx, New York City.

As a representative of the same 200,000 families of Puerto Rican origin now living in the United States, I have come here today to plead with you not to place a manufacturer's excise tax on rice which will raise the price of this staple item sharply. It is quite all right for Government officials to talk about averages.

Let me talk about facts, not statistical averages. It has been well said that a grown man can drown in a swimming pool with an average depth of 2 feet if he is at the 8-foot end of the pool. We, of Puerto Rican origin, do not consume a 6-pound-per-capita average; we consume about 140 pounds per person per year. Now, a 6-cent-per-pound increase in the price of rice is about \$8 per year per person, or \$32 per family of four.

There is much talk in my section of the city about this because rice is such a staple in our diet. It has to be, for about 1 out of every 3 families of Puerto Rican origin has a total income of under \$3,000. We cannot afford the more expensive foods, yet. We work hard. We are not afraid of work. Right now, however, we look upon rice as a staple food.

My friends and neighbors ask me about the President's war on poverty. I tell them about the great programs being developed to retrain people, improve education, and provide jobs. Then, they ask me how this increased price for rice which falls most heavily on the poor, helps in the war on poverty. I must answer in all honesty that it takes from the poor who have so little to give.

It seems to me that if the Government decides that the ricegrower needs help that the money should come from the Treasury, not mostly from the lowest income group.

My friends and neighbors are mostly in that group of families who spend about 30 percent of their income on food. Keeping our food expenses low is a tribute to the ability of our women, who shop carefully and do not waste. To this expense must be added rent, electricity, gas, clothing, medical care and other essentials. We cannot pay more for rice without taking from some other necessity. Our budgets do not have any ability to be stretched.

My friends and neighbors ask me about the cut that is coming in excise taxes on furs, jewelry, and so forth. The newspapers say that this will amount to \$1.7 billion. Honestly how much direct benefit do you think the poor will get out of this reduction or elimination of taxes on luxuries? Do you honestly believe that I, or you, can explain to my friends and neighbors why they should pay more for rice under a manufacturers' excise tax, at the same time you are reducing the excise tax on furs and jewelry?

I am not an expert on financial matters, but it seems to me that the same reasoning which justifies the elimination of the excise taxes on furs and jewelry would argue for not placing a tax on the poor man's staple.

This proposed rice tax is a serious blow to my people. Please do not make them bear this additional burden. Their daily burdens are already sufficient.

Mr. JONES of Missouri. Thank you. I think you have made a very good point there, Mr. Gonzalez. We are happy to have you here today.

Mr. Gathings, any questions?

Mr. GATHINGS. A fine statement, Mr. Gonzalez.

Mr. JONES of Missouri. Mr. Polanco.

Mr. POLANCO. I want to thank Mr. Gonzalez for this fine statement.

Mr. GONZALEZ. Thank you very much.

Mr. JONES of Missouri. We have some Members of Congress here who are vitally interested in the rice program, and I think that I will ask them to all come down to the table. Mrs. Mink, Mr. Matsunaga, Mr. Sisk, and Mr. Leggett. I think we will call on Mrs. Mink first, the Representative from Hawaii. We will be happy to hear from you at this time. Also we will give all the Members an opportunity to extend their remarks if they would care to, in addition to their oral statement.

STATEMENT OF HON. PATSY MINK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF HAWAII

Mrs. MINK. Thank you very much.

Mr. Chairman and members of the committee, I am very grateful for this opportunity to appear before this committee to personally explain to you the grave concern I have for the recommendations which have been made by the Department of Agriculture affecting the price-support program for rice.

I must, of course, preface my remarks by saying that I heartily concur with the broad objectives of the administration's program, to wit (1) to strengthen farm income; (2) to reduce the cost of farm commodity programs; and (3) to maintain food costs at fair and stable levels. In fact, it is because I do not believe that these three objectives have been met in the matter of the recommendations relating to rice, that I feel compelled to come forth as a witness.

I must also confess that I am not a farm expert and far less an expert on the question of farm price supports; rather my only field of competence with relation to this particular problem of rice is as a representative of the large number of consumers of rice, particularly in my State of Hawaii.

It is my opinion that when the Department of Agriculture made this recommendation on rice certificates, it perhaps did, in fact, believe that food costs would be maintained at fair levels. If you take the average domestic consumption of rice in the United States, which is only 7 pounds per person per year, the projected added cost to the consumer by this new certificate program would be only 35 cents per person on the average in America. On the surface it would appear that the Department's conclusion of fairness is fully met, and that the new program would not be an undue burden on the consuming public.

However, what I believe has been overlooked is the great divergence in the pattern of consumption across America. Many ethnic groups have a definite preference for rice as their principal staple food. Instead of an annual average per capita consumption of 7 pounds, in Puerto Rico for instance the rate is 140 pounds per person on the average, and in Hawaii the rate is 115 pounds per person. And I emphasize that these figures are average per capita consumption rates, which are much lower than the actual average consumption of a typical rice-consuming family in my own State. In such a typical family of five, it would be my estimate that as much as 1,000 pounds of rice would be consumed in 1 year.

The Department has advised us that this new program for rice would raise the price to the consumer by approximately 5 cents per pound. Taking the average family of five that I cited above, the cost of living for such a family would be increased not by 35 cents per year, not by \$1.75 but by \$50 per year.

However, it is not the increase in the cost of living per se that I question, for it might be argued that this is necessary in the national interest, but rather that the same increase is not being levied across the table equally upon all segments of this country. I question neither the motive nor the intent, only that in its application it cannot by the very nature and peculiarities of rice consumption and its extreme diversity throughout the country, be levied in a manner that is fair and equitable.

Rice is a favorite staple for the vast majority of the people of Hawaii, including people of all racial and ethnic backgrounds. If you take the current population figures for the State of Hawaii, of 700,000 civilians and apply the average per capita consumption of 115 pounds, the total annual consumption of rice in Hawaii is over 80 million pounds. If this new program goes into effect, the added cost of 5 cents for the purchase of 1 pound of rice removes from the purchasing power of my State the cash sum of \$4 million each year. This would be a severe drain upon our economy.

Just as no one would lightly consider the consequences of the raising of the price of a pound loaf of bread by 5 cents, I am asking this committee to consider the impact of this measure upon the entire economy and lives of the people of my State and other similar sections of this country.

It has been suggested by some that this measure would work severe hardship because it hits the low-income families. While this may be true in some sections of the country, this is not essentially a true picture of Hawaii. As you know, we have a relatively high per capita income, but this has not correlated out to make us a low-rice consumption area. Rice consumption is high in my State in the low-, middle-, and high-income families alike. Thus the suggestion of feeding programs for the needy is not a solution which at all fits our situation.

Thus the main question is not what kind of family is being affected by this, and can we supplement its needs in kind, but rather is the measure capable of fair application throughout the country so that the distribution of the cost of this program is equitably allocated among all sections and regions of this country.

I would like to respectfully urge this committee to consider the peculiar inequities posed by this new program and suggest that it was not the recommendation itself that lacked merit, but that the very nature of people and their different habits makes it fall short of the desired goal of fairness and equity.

I would therefore urge that title III be deleted from the bill.

Thank you very much.

Mr. JONES of Missouri. Thank you, Mrs. Mink. I think that is a very fine statement. The only thing I think I have been rather unfair to your colleague, Mr. Matsunaga, who would have been called on first because of his seniority. I doubt if he can add much to your statement. But we are going to call Mr. Matsunaga now. He has been with us for some time, and we will be happy to hear from you, and if you will supplement what Mrs. Mink has said, it will be appreciated.

STATEMENT OF HON. SPARK M. MATSUNAGA, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF HAWAII

Mr. MATSUNAGA. Thank you, Mr. Chairman, and members of the subcommittee. As you say, Mr. Chairman, although I did have a prepared statement, every point I had intended to make was covered by my able colleague, so rather than taking any more time, I ask unanimous consent to submit my statement for the record.

Mr. JONES of Missouri. Without objection, it will be inserted.
(The statement follows:)

STATEMENT OF HON. SPARK M. MATSUNAGA, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF HAWAII

Mr. Chairman, thank you for this opportunity of appearing before the members of this subcommittee and expressing my views with respect to the provisions relating to rice which are found in title III of H.R. 7097 and which are now under consideration by this subcommittee.

Mr. Chairman, the President's agricultural proposals to the Congress stated that one of the administration's basic policy objectives was to provide an abundance of food at reasonable and stable prices for the people of the United States. To those of us who have followed the farm program for a number of years, this policy objective is not new; we commend the effort. None of us would quarrel with such a desirable goal.

A further reading of the administration's proposals, however, raises some serious questions about the desirability of certain of the proposals. I refer particularly to the proposals for rice which are found in H.R. 7097, the Food and Agriculture Act of 1965.

It is estimated that the measure, which would establish a two-price plan for rice, would raise the retail price of rice in Hawaii by at least 5 cents a pound and possibly as much as 8 cents a pound. The administration has recently stated that such increased cost would not be onerous to the consumer. The statement is apparently based on the national per capita consumption of rice, which is about 7 pounds. The rationale obviously is that an annual increase of 35 cents for rice would not seriously impair the purchasing power of the "average" consumer.

However, as you know, the per capita consumption of rice has some wide variations, geographically as well as among the various sectors of our population. In my own State of Hawaii, per capita consumption of rice is approximately 100 pounds per year, instead of the national average of about 7 pounds. In Puerto Rico, the per capita consumption of rice is close to 140 pounds per year. Even within the continental United States there are wide variations; in many Southern States, California, and particularly in New York City, the per capita consumption is far in excess of the national average.

In order to get the full impact of such a price increase, the situation should also be viewed from the standpoint of population sectors within a given geographical area. For example, in Hawaii, which uses 60 million pounds of rice annually, it is well established that in many of our families the per capita consumption approximates 200 pounds annually.

Who are these large consumers of rice, and how will the price increase affect them? As far as Puerto Rico is concerned, I found the answer stated very succinctly in a recent editorial of the San Juan Star, and I quote therefrom:

"* * * rice is a basic part, often the only food, in the daily diet of thousands of impoverished families. To impose on these families an additional cost annually of \$15 million, most of which would necessarily come from the lowest income sector of the population, would be tantamount to a betrayal of the President's avowals of concern for those citizens now living in poverty."

The editorial further points out that, compared with the estimated \$6 or \$7 million that Puerto Rico will receive under the antipoverty program, the added burden on Puerto Rican families of a \$15 million increase in the price of rice would wipe out by double the intended assistance under the President's war on poverty.

Mr. Chairman, I have discussed the plight of Puerto Rico at some length because these comments are equally applicable to Hawaii and to our families in

the Island State. The price increase would make rice a prohibitive luxury item for many of our island families which now regard it as a necessary daily staple food.

In addition, however, I should like to point out a rice consumption factor which may be peculiar to Hawaii. Because of the ethnic backgrounds of a large segment of our population, there is consumer preference for rice among higher income families as well as among the impoverished families. This is ably brought out in a statement by our distinguished Governor, John A. Burns, which I should like to submit for consideration at the conclusion of my testimony.

I am not asking for special consideration for the people of Hawaii. We are ready now, as ever, to shoulder whatever responsibilities citizenship in a Great Society requires. However, we cannot bear more than our fair share of the burden of these proposals. And the proposal under consideration would unfairly load the rice price increase on Hawaiians and Puerto Ricans, as well as on certain population groups in the continental United States.

Mr. Chairman, I strongly urge that title III be deleted in its entirety from H.R. 7097.

Thank you very much.

Mr. MATSUNAGA. I have with me, Mr. Chairman, a petition from my constituents bearing the signatures of 30,000 rice eaters in Hawaii, all petitioning that this subcommittee delete title III of H.R. 7097. I would like to have the record show, Mr. Chairman, that the petition as sent to me from Hawaii was presented to the committee for whatever disposition it desires to make of it.

Mr. JONES of Missouri. We are happy to have your petition. I don't think we can include them all in the record. We will show the figure, and if necessary we will weigh the petitions and we will weigh the contents as we consider this title III.

Mr. Gathings?

Mr. GATHINGS. I am wondering if Mr. Matsunaga and Mrs. Mink would read just what the petition says at the top of it. Just read that part of it into the record.

Mr. MATSUNAGA. I'd be glad to. The petition reads:

We the undersigned are firmly opposed to the proposed approximately 33 $\frac{1}{3}$ -percent increase in rice prices as proposed in the omnibus farm bill now before Congress. We understand that this would cost us, the consumers, up to \$20 and more in additional rice bills per year, an statewide up to \$3 million. We so feel and sign.

And the signatures follow. I might make one change in the petition, Mr. Chairman, and that is while it says 33 $\frac{1}{3}$ percent, in actuality the increase would be about 50 percent or more, because under the proposal rice would increase in price by about 5 cents and as much as 8 cents per pound, rice being now about \$10 per bag. This would mean an increase of 50 percent or more.

So while we have an antipoverty program also going on in Hawaii, the loss which will be suffered principally by the low-income group will exceed the assistance which we will be getting under the program, as in Puerto Rico, by almost double what we are getting.

We expect initially a million and a half in assistance under the anti-poverty program, but we will be losing \$3 million per annum in additional rice costs. This would mean a loss of \$1.5 million, principally as a tax upon those who can most ill afford it, the poor—and the rice eaters are the poor ones.

I might point out, Mr. Chairman, that I was born into a poverty-stricken family. We had a family of seven children; and my family of nine, Mr. Chairman, consumed, on the average, 4,800 pounds of rice per year; that is, 400 pounds per month.

Mr. JONES of Missouri. They don't produce much rice in Hawaii.

Mr. MATSUNAGA. No; we import it from California principally; so I join, Mr. Chairman, in opposing title III of this measure, and I ask that this subcommittee not report that section out—have it stricken out. Thank you very much, Mr. Chairman.

Mr. JONES of Missouri. Thank you Mr. Matsunaga. Mr. Stalbaum.

Mr. STALBAUM. I have two questions, one off the record and one on the record.

What is the per capita income of Hawaii? We have the figure on Puerto Rico, I believe of some \$830 per capita. What is the Hawaiian per capita income?

Mr. MATSUNAGA. We enjoy a much better per capita income. I think the last report was \$2,600.

Mr. STALBAUM. Per capita?

Mr. MATSUNAGA. Per capita; yes.

(Discussion off the record.)

Mr. JONES of Missouri. We have our colleague, Mr. Sisk from California, who would like to make a brief statement.

STATEMENT OF HON. B. F. SISK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. SISK. Mr. Chairman, I have a brief statement which I want to submit for the record. I will not take the time of the committee to read it.

(The statement referred to follows:)

STATEMENT OF HON. B. F. SISK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, because I generally appreciate and commend the work of Secretary Freeman and the Department of Agriculture under his direction in handling our farm problems, it is with particular regret that I must appear now in opposition to the proposed rice program in H.R. 7097. I am afraid that in this instance the Department has overlooked some of the important factors involved. I have some confidence that as a result of the testimony before your committee, necessary modifications may be achieved with departmental approval.

While I am appearing specifically to represent the viewpoint of our California ricegrowers, it appears that the rice industry throughout the country is united in opposition to the proposed program. I hope they will be equally united in working out a practical and workable alternative with which they can live and which will be fair to both consumers and taxpayers.

I think the fatal defect in the program proposed lies in reliance on averages which are deceptive. While it may be true that the national average of rice consumption is only 7 pounds per capita per year, many millions of our citizens use practically no rice, and others, principally among our most economically deprived families, use it as their basic diet. There are areas in Puerto Rico, Hawaii, California, and New York with annual consumption rates of 150 to 200 pounds per person. Some of these people have an annual cash income of scarcely more than \$100. Under this proposed program the retail price of rice would be increased by 50 percent. At a present cost of 12 cents per pound, this would amount to \$60 per year for a family of five who principally depend on rice for their basic food. The great burden would fall on those least able to pay, and we simply cannot "average" the human suffering that would result.

Naturally, these people, who constitute a major share of the domestic market for rice, have to cut down on their rice buying and this would correspondingly reduce the total domestic market for rice, with disastrous effect on our growers.

The Department has again used averages without full consideration of the consequences in arriving at a plan for distribution of certificates permitting growers to sell only 40 percent of their crop in the domestic market. The fact is, California growers have aggressively developed markets for their product

and they are to be commended for having done so. They currently sell 60 percent of their crop to domestic consumers. We simply cannot arbitrarily force them by law to abandon their efforts, cut their sales and fall back on Government subsidies and handouts, and I do not believe this committee will approve such an arbitrary and unjust proposal. In this case you would be "averaging" California growers out of one-third of the market they have spent years and millions of dollars in developing.

I fully realize, and I think our ricegrowers realize, that the present rice program is too expensive and too heavy a burden on the taxpayers. Some growers, at least, and I hope most of them, are willing to absorb some of these costs at the expense of a lower income, rather than to kill their markets by increased prices. I think a workable program can be developed as an alternative to the proposal in title III of H.R. 7079. I recognize that the members of this committee are experts in this field and I ask only that you assist the growers, the Department people and all those vitally interested in this matter in coming up with a rice program fair to consumers, growers and taxpayers. I know you will find the growers I have the honor to represent most anxious to join in seeking such a solution of this urgent problem.

Mr. SISK. I simply want to say that I somewhat reluctantly find myself here in opposition to the administration's proposal as it pertains to rice, and I am here of course representing a rice-producing area as well as some rice consumers also, and certainly we feel that this would lead to discriminatory practices which the lady from Hawaii and her colleague have specifically outlined here, and so I will not go into that at length. But certainly as I say on behalf of the California producing area from which I come, we very vigorously oppose the proposal.

Now certainly we join, as Mrs. Mink has indicated, in the desire and the objective of the administration to try to maintain stable farm income, and yet at the same time to reduce the costs of this program to the taxpayers. But we do feel that in an item such as rice, that there are better ways to bring about the savings that are essential in our opinion, rather than the discriminatory proposal which is here before us regarding a rather select group of people who actually depend upon rice as a basic stable commodity. Therefore I would oppose very much this particular proposal.

Mr. JONES of Missouri. Thank you. We have a former member of this committee, Mr. Leggett from California. We will be happy to hear from you.

STATEMENT OF HON. ROBERT L. LEGGETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. LEGGETT. Mr. Chairman and gentlemen, it is a pleasure for me to come down here and give you my informal views on this legislation. I think it is significant that the administration waited until I was off the committee before it decided to present this kind of a bill.

Mr. JONES of Missouri. Maybe you should have stayed on the committee.

Mr. LEGGETT. Well, that would be one way to solve the problem.

I can state that as long as Mr. Matsunaga and these people from Honolulu have this tremendous rice eating habit, that we are pleased in California to provide them with the merchandise, and we would be pleased to reciprocate by munching on their sugar cane.

As a practical matter I have 22 percent of the Nation's rice in my congressional district, and the districts surrounding my district in northern California. I think it is some 278,000 acres.

I have the No. 1 rice-producing county I believe in the United States. It is not the largest in acreage, but it is the largest in production. That is Colusa County in California.

With one exception I have received from my congressional district no support whatsoever for this legislation. I have received about 200 letters from my producers, large and small, from the mills, from the people who work in the mills and such as that, and beyond any question they object to this legislation, and they think it not in their interests that it be passed.

I think there is probably one new item that we are dealing with here that we don't deal with in every other commodity that we have occasion to govern in this committee, and that is that the rice industry itself has said that they recognize that \$180 million is a significant amount of money to amortize over the rice producers in this country, and I think we all admit that on a per-farm basis, that we spend more on rice, unfortunately, than we do on cotton and any other commodity, and I think the industry has assumed a responsible attitude in that contrary to the wheat producers and contrary to corn producers and contrary to the cotton producers, they have come in and they have said, and I think that we can save the \$40 million.

They have suggested modification of acreage limits. They have suggested modification of support price. They have suggested or I have suggested special treatment for export, dollar exports, maybe special treatment for Public Law 480 sales but I think we have something here that we can work with, but I doubt that we can do it before the subcommittee.

I believe that we have responsible producers and millers throughout the country who can get together and can work with the Department of Agriculture and produce some kind of a result to affect some of the economies that I firmly believe we need, to justify our rice program in the United States.

I think we are spending too much for farming. I think we have got to recognize that we have got, I think, the best program in rice from an inventory standpoint than we do in almost any other support commodity. It works very well. We have modified the support price in various ways, and we still do not accumulate large inventories of rice.

I don't think we should confound this now by tampering substantially with the consumer price in a ramification where we don't know what is going to happen. It is well conceivable that a family like Mr. Matsunaga's might radically alter their preference for rice, and were his family alone to have modifications, in their procedure, I think that it might have an effect on the market.

I don't think we have to flatly end up this debate by refusing to adopt the Department's program. I think we can develop something where we can effect the economies and still maintain a good solid consumer domestic production, and also not run away with ourselves as far as production and Public Law 480 sales.

Mr. JONES of Missouri. Thank you, Mr. Leggett. As announced yesterday, there will be ample opportunity before this bill is acted upon by the committee for the rice groups to get together, if they feel it is advisable to do so, and to work with the Department upon this legislation. I want to thank all of you Members for being here today and making your contribution to the hearing.

Mr. MATSUNAGA. Mr. Chairman, may I ask unanimous consent to introduce for the record a statement by our Governor, the Honorable John A. Burns?

Mr. JONES of Missouri. We have a statement from Mr. Burns, and I was going to suggest that it would be probably the best place to insert it following your testimony. We will insert the statement by Governor Burns at this point in the record.

(Mr. Burns' statement follows:)

STATEMENT OF HON. JOHN A. BURNS, GOVERNOR OF THE STATE OF HAWAII

On behalf of the people of Hawaii, I wish to present to your committee a statement of the effect on this State of the provisions relating to rice in title III of the administration's bill, H.R. 7097, the "Food and Agricultural Act of 1965." I feel that the intent of this proposed legislation is meritorious, because the Federal Government should seek every means to mitigate the increasing expenditures in our agricultural price-support programs. However, as can be judged from the facts presented below, the proposed legislation on rice will work a severe hardship on our State.

1. REASONS FOR HAWAII'S CONCERN OVER THE PROPOSED LEGISLATION

Hawaii has a high per capita rice consumption. The consuming public pays \$6,930,000 for the 60 million pounds of rice brought into the State annually. This does not include the rice purchased by the military under contract from the miller, nor the sale of rice to military dependents through military outlets. This means that the civilian per capita consumption of rice is approximately 100 pounds annually.

Should the proposed legislation requiring millers to purchase domestic marketing certificates at a cost of \$2.90 per hundredweight be passed, it may be assumed that this additional cost will be passed on to the consumer. This has been estimated to be about 5 cents per pound. Thus, Hawaii's consumer expenditures for rice will immediately increase to \$10,110,000 annually. This means a loss of almost \$3.2 million, which could be spent for other goods and services. It will mean a considerable outflow of dollars from our small economy for the purpose of helping the Federal Government support prices for rice growers throughout the United States.

Puerto Rico and Hawaii are already in the position of assisting one federally sponsored program, that of the maritime industry. The Merchant Marine Act of 1920 precludes either area from availing itself of the cheapest mode of transportation, that of foreign bottoms. Under the law, each must use only U.S. carriers, whose operating, as well as capital, costs are substantially higher than those of foreign carriers. These higher costs must be borne by the residents of the two areas through higher freight rates. Thus, the consuming public has built-in Federal costs which must be paid for any commodity brought into the State from any one of her sister States.

It is not that Hawaii does not wish to bear its fair share of Federal programs. We do. However, we feel that the impact should be equitable throughout the country. In the instance of rice, we feel that it will not be. To the people of Hawaii, the increase in cost of 5 cents per pound, at the minimum, would mean an additional \$5 per capita expenditure per year. For the U.S. population as a whole, the added annual per capita cost would be a mere 35 cents. This appears decidedly discriminatory.

2. FACTORS INVOLVED IN HAWAII'S RICE CONSUMPTION

High per capita rice consumption is usually associated with low per capita income. This is not necessarily true in Hawaii, since the State ranks within the upper third of the Nation's highest per capita income States.¹ Yet, rice is an important item in the diet of most Hawaiian residents.

The high rice consumption may, therefore, be attributed to other factors, such as consumer preference, high cost of food substitutes, and ethnic backgrounds. Each warrants a brief discussion.

¹ U.S. Department of Commerce, Office of Business Economics, "Survey of Current Business," August 1964, table 2, p. 16.

(a) *Consumer preference.*—The types of food preferred in Hawaii are cosmopolitan—Indian curries, Chinese chow meins, Japanese sukiyakis, to name a few—and each is considered incomplete without servings of rice. This preference is general and not limited to any specific ethnic group. For example, a survey of 110 households in 1963, selected at random to insure obtaining a cross section of the city of Honolulu, indicates that the average amount of rice the housewife had on hand at the time of the interview was more than 10 pounds.² This supports the contention that Hawaiian households are heavy users of rice, regardless of socioeconomic background. I have not seen a comparable figure for the country as a whole, but daresay the average household inventory of rice would be a much smaller quantity.

Further, rice is packaged for sale in Hawaii in 5-, 10-, 25-, and 100-pound sacks. According to wholesalers, the greatest volume in sales is in the 25-pound sacks. For mainland retail sale, rice is packaged in 12-ounce, 1- and 3-pound packages, an indication of the relative importance of rice in dietary habits.

(b) *High cost of food substitutes.*—Agricultural products, such as wheat, other cereal grains, or potatoes, which are used as rice substitutes in other areas, are either not grown in the State, or grown in very limited quantities. One might question why, with a year-round growing season, Hawaii cannot be self-sufficient in their production. The answer lies in the fact that until very recently the entire emphasis in agriculture has been placed on the plantation export crops of sugar and pineapple. These are still important to the economy and use large acreages which might, if feasible, have been put into grains. But the established markets for sugar and pineapple products dictate that their present scale of production be continued. The dollars brought in by these two products have substantially supported the local economy by affording the means of paying for the various products we must import from other sources.

There is presently a State-supported program to increase the production of diversified agriculture. This includes potatoes, as well as other food items, but this depends on the opening of lands which heretofore could not be used because of lack of water. We are making headway, but the progress will be slow. In the case of potatoes, which are usually thought of as a rice substitute, the latest available data show that 27,840,000 pounds were consumed within the State.³ However, only 215,000 pounds of this total were produced locally. Because of transportation costs and the grade of potatoes which must be purchased, the retail price of potatoes is high. Seldom does the retail price go below 11 cents a pound. As compared with the retail rice price of about 11.5 cents per pound, potatoes cannot compete pricewise as an effective substitute.

(c) *Ethnic backgrounds of the population.*—Hawaii is proud of the number of racial backgrounds represented by her population. According to the 1960 census, over 50 percent of her population came from forebears immigrating from countries bordering the Pacific Ocean rim.⁴ The countries represented are predominantly rice-eating countries. Thus, the food patterns of these countries are followed for many years. Eating habits are not readily changed and usually occur only over a long period of years, unless change is forced because of unavailability. Rice has always been available in Hawaii. There was a time when it was hand cultivated and produced in sufficient quantity to supply the demand. However, as more capital intensive agriculture was introduced, ricegrowing declined until it is practically nonexistent here today. In the meantime, the increasing demand for rice was met by the supply from the mainland.

3. ULTIMATE EFFECT OF INCREASED COST OF RICE TO HAWAII

Ricegrowers will not lose the Hawaiian market. In fact, because of the factors influencing the high consumption of rice in the State, the demand may be assumed to be highly inelastic. Preference, high cost of food substitutes, and ethnic backgrounds will not be readily influenced by any price increase. Over time, as local production of substitutes reduces costs and eating habits are gradually changed, there may be some change.

² McCarthy, E. J., "Stockpiling as a Solution to Shortages From Maritime Strikes Affecting Hawaii," Economic Research Center, University of Hawaii (Honolulu: 1964), p. 84.

³ Hawaii Department of Agriculture and U.S. Department of Agriculture, "Statistics of Hawaiian Agriculture," 1963, pp. 19, 50.

⁴ Department of Planning and Economic Development, "Research Report 9," Dec. 26, 1963.

However, it is this very inflexibility of demand which is of immediate concern to the economic well-being of the State. It will mean an immediate cash outflow of at least \$3.2 million annually, which the State can ill afford. It is therefore respectfully requested that serious consideration be given to some means of alleviating this burden to our State. As I have stated, we want to do our share, but we feel that the present proposal would require us to do much more than our share. This, I know, is not the intent of the legislation.

Mr. POLANCO. Mr. Chairman, I don't want to take the time of the subcommittee, so I shall submit my statement for the record now.

Mr. JONES of Missouri. Would you prefer that that follow Mr. Gonzalez' statement?

Mr. POLANCO. No, no.

Mr. JONES of Missouri. That will be fine. We will insert your statement in the record here.

(The statement referred to follows:)

STATEMENT OF HON. SANTIAGO POLANCO-ABREU, RESIDENT COMMISSIONER OF PUERTO RICO

Mr. Chairman, I should like to identify myself with the statement in the record by the consumers of Puerto Rico on the almost certain effect on the economy of Puerto Rico and its people that the provisions of title III of H.R. 7097 would have. The application of title III has not yet become a matter of general knowledge amongst the people of Puerto Rico, but already I am told that a petition against the enactment of title III, in its present form, is being sent to me and that it will contain approximately 50,000 signatures. I ask that this petition, together with its signatures, be placed in the file of the record of these hearings, together with such other petitions which I may receive.

This is indicative of the very great concern on the part of Puerto Rican families over the effects of the proposed reduction in the subsidy on rice and its probable results on the consumers who will have to pay at the grocery store an amount to compensate for the subsidy reduction.

I shall not speak in precise statistical terms on the effect of this legislation. The Secretary of Commerce, Commonwealth of Puerto Rico, the Honorable Jenaro Baquero, is preparing a statement which will contain these references. I ask, at this point, that when the statement is received, it be made a part of the printed record of these hearings.

Rice and beans is the main staple of the Puerto Rican people. It appears on the tables for two meals each day. It may be compared with the use of potatoes as a staple foodstuff in continental United States. In Puerto Rico it is used by people of means, as well as by the poor people, but, naturally, the poorer people are unable to supplement rice and beans with meat proteins, salads, and vegetables to the extent of the others. In other words, rice and beans is the principal diet of the poorer class in Puerto Rico, and this means most of the people. A few pennies a pound in increased prices for rice will impose a serious hardship on these people. They simply cannot afford to pay substantially more than they are already paying, which is about 13 cents per pound.

The Puerto Rican development programs have resulted in a per capita income increase of from \$423 in 1954 to \$830 in 1964. Considering increases in prices during that period, the per capita real purchasing power was increased from \$237 in 1954 to \$526 in 1964, but this must be compared with the 1964 per capita income of \$1,444 in Mississippi, the lowest income State, and \$3,505 in Washington, D.C. Moreover, the per capita income in the rural areas in Puerto Rico, which comprises most of the island, is substantially less than the overall average. These are the people with large families and low income, who must depend upon rice and beans for most of their diet. These are the people who will be sorely injured by any price increase in rice.

Puerto Rico purchases 100 percent of its rice from sources within the United States. The commodity must then find its way to a seaport where it is subject to high shipping rates, since no subsidy can be paid to American-flag ships in domestic trade and foreign-flag ships cannot be used under the provisions of the coastwise shipping laws. It is seen, then, that every pound of rice purchased in Puerto Rico has a built-in ocean freight cost, in addition to the usual railroad and trucking costs.

Mr. POLANCO. Since my statement will be supplemented by the statement from the Commonwealth's secretary of commerce, I have refrained from any technical or statistical discussion and have, instead, directed attention to the effect on the Puerto Rican consumers of a legislation before you. I hope that before giving final consideration to title III of H.R. 7097, the committee will take into careful consideration the humanitarian aspects of the question and that it will consider that any substantial increase in the price of this food for the poor would be a step in retreat in today's war on poverty being waged by the administration and the Congress.

(The supplemental statement follows:)

ADDITIONAL STATEMENT OF HON. SANTIAGO POLANCO-ABREU, RESIDENT
COMMISSIONER OF PUERTO RICO

Mr. Chairman, here in the United States, it is difficult to visualize how important a 5-cent rise in the cost of a pound of rice can be in Puerto Rico. To most Americans, rice is a marginal part of the family diet, and a negligible item of the family's overall budget.

But in Puerto Rico, rice is the staff of life—the principal food of at least two meals a day in most Puerto Rican families. A 5-cent rise in the cost of a pound of rice means a 42-percent jump in the cost of the basic part of their diet. To an average American family in Washington, the impact would be about the same if the family's meat bill jumped 42 percent overnight.

For Puerto Ricans, therefore, title III of H.R. 7097 is not a simple matter of economic abstractions, or something which indirectly affects some remote cost-of-living index. It is a matter of immediate importance to families of less than \$5,000 annual income, which means 83 percent of all Puerto Rican families; they would have to pay \$13,500,000 of the \$16,800,000 which would be added to Puerto Rico's annual grocery bill as a result of a 5-cent price rise.

To families of less than \$3,000 annual income, which means 60 percent of Puerto Rican families, the impact of this bill would be dramatic. They, the group least capable of absorbing a sharp increase in their food bill of any group in the Nation, would have to absorb 57 percent of the increased cost of rice.

It is, therefore, in human terms, and in awareness of the severe hardship it would visit on over 1,500,000 people in the Commonwealth of Puerto Rico, that I urge Congress to review title III of this bill.

Puerto Rico will be an important beneficiary of the poverty program. But to the poor people of Puerto Rico, the benefits of this splendid program will more than cancel out if their grocery bill for rice jumps 42 percent.

Let me give you a clearer picture of the human realities of Puerto Rico, and the daily life of its people. I know of no better way to bring home fully the impact of this bill.

First of all, let us remember that Puerto Rico is still very poor by U.S. standards. We are very proud of the fact that we have been able to raise our per capita income from \$121 in 1940 to \$832 today, but this is still a far cry from the average per capita income of \$2,500 in the United States as a whole, or \$3,500 in Washington.

I have mentioned that 60 percent of Puerto Rican families (with an average of 5.2 persons in each family) have an annual income of \$3,000 or less. And it is this income group for whom rice is the very heart of the family's diet. I might point out that 41 percent of Puerto Rican families have an annual income of less than \$2,000, and 20 percent actually live on an income of less than \$1,000 a year.

For families of such modest income, moreover, food takes a much larger percentage of their overall expenditures than for families of more comfortable circumstances. (A Puerto Rican family with a \$2,000 income, for example, spends 54.1 percent of its total income for food, while a U.S. family in the median income bracket of \$6,249 (with an average of 3.36 persons in each family) spends only 20 percent of its income for food.)¹

Knowing these facts, we begin to have some idea of the impact of a 5-cent rise in the cost of a pound of rice in human terms. We start with families already

¹ These are latest available figures from the U.S. Department of Commerce (Census Bureau and Department of Labor).

extremely poor and very large by U.S. standards, who are obliged to expend a very heavy percentage of their modest means for food. Their diet, in turn, runs very heavily to rice. The average Puerto Rican eats 119 pounds of rice a year, against the U.S. average of 7 pounds. Knowing this, it is not difficult to project what a 42-percent price rise in rice will mean to the average Puerto Rican. He has the choice of either two things: to reduce his consumption of rice, his basic food, by one-third, or to reduce his outlays for clothing, housing, and other items of the family budget severely to compensate for the sharply increased cost of rice. In either case, the hardship on the 60 percent of Puerto Rican families with incomes of less than \$3,000 would be acute.

We all know, of course, that it is in no way the intent of Congress to work such hardship on the Puerto Rican people. On the contrary, the application of the poverty program to the Commonwealth makes very evident the sincere concern of Congress for bettering the life of those Puerto Ricans who still live in poverty.

I am sure that, when this bill was drafted, the framers were unaware of the severity with which it would strike the poor people of Puerto Rico.

The objectives of the bill are most laudable. But the human price which would be paid in Puerto Rico as a result of title III is far too great to pay. I therefore most strongly urge that the committee and Congress disapprove this title of the bill, out of humanitarian consideration for the people of Puerto Rico, and in full knowledge of the severe hardship this title would visit on them.

Mr. POLANCO. May I say another thing. I want to file about 50,000 petitions signed by rice consumers in Puerto Rico. The petitions are in Spanish, and the translation for the record is as follows.

Mr. JONES of Missouri. If you will type that out and furnish that at this point in the record.

Mr. POLANCO. That is very good.

(The document referred to follows:)

TRANSLATION OF PETITIONS FROM PUERTO RICO

HON. ORVILLE L. FREEMAN,
Secretary of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: We the undersigned are firmly opposed to title III of H.R. 7097 which will raise the price of rice 5 cents per pound, what means about \$15 million a year.

If we spend that quantity of money on rice, such quantity must be spent less on other U.S. products.

(Seven Signatures).

Mr. JONES of Missouri. We will not be able of course to include those names, but we will show the number of names.

Mr. POLANCO. That is correct. And finally I hope that the Secretary of Commerce of the Commonwealth of Puerto Rico will prepare a statement, and I ask consent to file it in the record when I receive it along with any additional statements which I receive.

Mr. JONES of Missouri. Without objection, they will be filed, and you can furnish it to the clerk of the committee and it will be placed in the record.

(The material referred to follows:)

STATEMENT OF JENARO BAQUERO, SECRETARY OF COMMERCE, COMMONWEALTH OF PUERTO RICO

Mr. Chairman and members of the committee, I welcome the opportunity to explain the position of the Government of the Commonwealth of Puerto Rico with respect to this bill and to furnish the necessary facts and information to justify that position.

Our department of commerce has thoroughly studied the structure of the rice market in Puerto Rico. From that Study we have obtained certain facts that we consider very relevant and pertinent in considering this bill.

1. Our 2.6 million population consumes some 3.2 million hundredweight of rice yearly. From this total, around 3 million hundredweight are dollar purchases and the rest is moved under Government welfare programs. This represents a per capita consumption approximately 140 pounds per annum.

2. Local production as well as imports of rice from foreign areas are negligible. Therefore, all the rice we consume at present is supplied by U.S. producers.

3. Our share of the total domestic consumption for the entire United States is well above the 10 percent mark.

4. Rice is a basic and probably the most important foodstuff on our diet. On the average each person consumes between 5 and 6 ounces of rice daily.

5. The dependence on rice for nutrition is greater among the lower income families.

Sixty percent of the Puerto Rican families receive an annual family income of less than \$3,000. Under the Federal definition they are classified as poor.

6. Every cent increase on the price of a pound of rice will cost Puerto Rican consumers more than \$3 million a year. It is estimated that as a result of the program changes under consideration the retail price of rice will increase by 4 to 6 cents per pound. Therefore, the total cost to our families will be between \$12 and \$18 million a year. This is more than what at present we can afford to spend yearly in the construction of schools and hospitals together.

7. This drain in purchasing power, will have adverse indirect effects in business activity and employment. Furthermore, a reduction in effective demand for rice will not only hurt mainland producers but will also hurt the three mills now operating in Puerto Rico.

8. The current retail price of rice averages 12 cents per pound. An increase of 4 to 6 cents in this price will represent a 33- to 50-percent increase in price. No matter how inelastic you may consider the demand for rice, you have to expect that a price increase of that magnitude will have to produce a significant reduction in demand.

9. Despite a notable increase in population, total rice consumption has remained relatively stationary during the last decade. This suggests that the demand for rice may not be inelastic at all.

10. In fact local distributors have had to spend considerable amounts of money in advertisement and promotion to keep the effective demand at that level. Competition is so keen that the market retail price of rice has remained stable during the last decade in spite of considerable increases in marketing costs and a 26-percent increase in the general consumer's price index.

11. Insofar as rice can be purchased from foreign producers (c.i.f. The Guianas) at a price slightly higher than that of the U.S. rice (c.i.f. San Juan, tariff included), an increase of 4 to 6 cents in the retail price of U.S. rice will price it out of the Puerto Rican market.

12. An efficient public policy requires that its different programs be consistent with each other and harmonious with the basic goals of the society. If we let our farm and pricing programs go opposite to our welfare programs, only waste and useless bureaucracy can result. The two programs will just neutralize each other. Both, or at best one of them, will be wasted. This seems to be the case with the President's war on poverty program and the present rice program. The second, seriously hurts the same income and social sectors that the first attempts to help. In Puerto Rico, for example, if the provisions of title III of H.R. 7097 are applied in its present form, they will more than upset the benefits we expect from the war on poverty program.

When you take away one dollar from the rich to give it to the needy, at least you can justify your action arguing that a net gain in total welfare resulted insofar as the sacrifice imposed on the rich by taking his dollar is less than the satisfaction given to the poor who received it. But when you take away from a poor sector and give to another poor sector the same amount—less administrative or bureaucratic costs—the only thing you have for certain is that you make one of the two more poor. The transfer will produce a net loss in welfare to the community as a whole.

13. Conclusion: We don't want special treatment unless it is clearly warranted. We are thoroughly convinced that the changes contemplated under this program will inflict undue hardships to the Puerto Rican families. Furthermore, the adverse impact of this program on the lower income sectors of the United States and Puerto Rico will not only prove it to be very unsound and ill-advised fiscal policy but in practice will be in contradiction with the traditional moral foundation of the U.S. economic policy and the public policy of the present Washington administration.

Mr. Chairman and members of the committee, based on all the considerations hereby expressed, the government of the Commonwealth of Puerto Rico, respectfully express its firm opposition to title III of H.R. 7097, now under your consideration.

PONCE CHAMBER OF COMMERCE,
Ponce, P.R., April 27, 1965.

Hon. SANTIAGO POLANCO-ABREU,
*Resident Commissioner,
Commonwealth of Puerto Rico,
Washington, D.C.*

DEAR RESIDENT COMMISSIONER POLANCO-ABREU: The Ponce Chamber of Commerce wishes to submit to you our views regarding the dispositions covered by title III of bill of H.R. 7097 dated April 5, 1965, now under consideration by Congress.

Puerto Rico, with a population of over 2,300,000 inhabitants which consume over 300 million pounds of rice yearly, stands to receive a serious setback in its economy and a tremendous harm to its people if the subsidy for this staple is eliminated, which will result in an increase of 25 percent per pound of rice.

Rice constitutes the basic food article of the poor people of Puerto Rico, and is consumed more frequently than any other food because of the nutritional value it affords and the fact that it costs cheaper than any other foodstuff.

We respectfully appeal to Congress to consider the dispositions as covered by title III in the aforesaid bill of H.R. 7097, now under discussion. If the war on poverty is to be successful, this is an instance where it can render the most good. Puerto Rico depends on the mainland for most of the foodstuffs, rice constituting its mainstay.

Cordially yours,

PONCE CHAMBER OF COMMERCE,
MANUEL AVILÉS TORO, *President.*
VICENTE ORTIZ, *Secretary.*

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., May 7, 1965.

Hon. PAUL C. JONES,
*Chairman, Subcommittee on Oilseeds and Rice, House Agriculture Committee,
Longworth House Office Building, Washington, D.C.*

DEAR COLLEAGUE: I have been furnished with copies of telegrams sent to Governor Sánchez Vilella, Commonwealth of Puerto Rico, expressing objection to the provisions of title III of H.R. 7097 pertaining to rice subsidies.

These translations appear on the attached sheet and I should appreciate it if they could be made part of the record of title III.

Sincerely,

SANTIAGO POLANCO-ABREU.

COROZAL, *April 22, 1965.*

Hon. ROBERTO SÁNCHEZ VILELLA,
*La Fortaleza,
San Juan, P.R.:*

Request drastic opposition title III of H.R. 7097 of the U.S. House of Representatives.

RAMON RAMOS SUERS.

NARANJITO, *April 22, 1965.*

Hon. ROBERTO SÁNCHEZ VILELLA,
*Governor of Puerto Rico,
San Juan, P.R.:*

Request most drastic opposition to title III of H.R. 7097 of the U.S. House of Representatives.

GASPAR RODRIGUEZ, *Businessman.*

NARANJITO, April 22, 1965.

Hon. ROBERTO SÁNCHEZ VILELLA,
La Fortaleza,
San Juan, P.R.:

Request Honorable Governor your drastic opposition to title III of H.R. 7097 of the U.S. House of Representatives.

JESUS MORALES.

SANTURCE, April 23, 1965.

Hon. ROBERTO SÁNCHEZ VILELLA,
La Fortaleza,
San Juan, P.R.:

Request your drastic opposition to title III of H.R. 7097 of the U.S. House of Representatives.

OBDULIO MATIAS HERNANDEZ,
Haydee Rexach 412—VP.

TOA ALTA, April 27, 1965.

HONORABLE GOVERNOR,
San Juan, P.A.:

Request your drastic opposition to title III of H.R. 7097 of the U.S. House of Representatives.

JUAN DIAZ ALFARO,
Wholesale Distributor of Foodstuffs.

CAGUAS, April 28, 1965.

Hon. ROBERTO SANCHEZ VILELLA,
Governor, San Juan, P.R.:

Request your assistance in opposing title III of H.R. 7097 of the U.S. House of Representatives, which provisions would cost the people of Puerto Rico \$15 million per year.

GUMERSINDO VIERA.

MOROVIS, May 1, 1965.

Hon. ROBERTO SANCHEZ VILELLA,
Governor of Puerto Rico, La Fortaleza, San Juan, P.R.:

Urgently request drastic opposition to title III of H.R. 7097 of the U.S. House of Representatives.

FELIPE MALDONADO, *Businessman.*

TOA BAJA, April 27, 1965.

Hon. ROBERTO SANCHEZ VILELLA,
San Juan, P.A.:

Request most drastic opposition to title III of H.R. 7097 of the U.S. House of Representatives.

CARMELO RIOS.

Mr. JONES of Missouri. Mr. Cranek, will you give the reporter your name and address, please?

STATEMENT OF LESTER CRANEK, GARWOOD, TEX.

Mr. CRANEK. Mr. Chairman and members of the committee, I don't have a statement to hand out, but I will read the statement that I have. I am Lester J. Cranek, of Garwood, Colorado County, Tex., and a rice farmer who is strictly a producer trying to make a living for a wife, four sons, and four daughters from 296 acres of rice as my total operational income.

I am not a spokesman for any particular group except for a number of rice farmers like myself, who are interested in trying to see that a

way is continued by which they can continue to make a living for themselves and their families.

The committee has heard reams of testimony, and will probably hear and receive additional reams relative to the rice situation. Mr. Chairman, if I may, I would like at this point to present the views of farmers in my area with respect to the proposed plan for rice.

The vast majority of the farmers in my area would like to see the rice program stay just as it is, the present program that we have, provided that Congress and the administration see fit to do so. However, I am positive that they do not want to lose another 10 percent in price and an additional 10 percent in acreage for 1966, which appears to be imminent if some other alternative is not tried for rice.

The small community in which I live will experience a quarter million dollar loss of net profit this year from the rice crop, due to a lowering of the 1965 support price. This loss is off the top.

Most farmers can't do anything to offset this loss managerialwise. Consequently there will be \$250,000 less in the Garwood community spent for new cars, household goods, skipped payments on mortgages, and so forth. This reduction in 1965 of the support price for the entire United States will amount to somewhere around \$17 to \$18 million for the farmers.

Now using the economist figure of seven times any one given dollar to get the gross total national product of what a dollar of farm income will mean, that is somewhere around reducing the gross national product \$119 to \$126 million lost in total economic product.

If we continue in 1966 and take \$50 million out of the farmer's hip pocket, which we would do if we had the basic alternative that appears like the two questions may be, then we can multiply that figure by an additional seven, and you can see the tremendous impact that it would have on the total economy.

Therefore, Mr. Chairman, if Congress determines that they must take costs out of the farm program for rice, I implore that it not be done at the cost of returns to the producer.

When the true picture of what a bargain food and fiber is in the United States, as reflected to both consumer and producer, is shown, there is no doubt in my mind that the consumer can bear, and willingly so, the costs necessary to keep up farm income.

Mr. Chairman, at this point I would like to say that I think the great majority of rice farmers in America today have confidence that the administration and Congress can solve this problem without taking the small margins of profit away from rice farming that is now left there. The administration has come forth with its plan to do this job of Government subsidy reduction by a method of letting the consumer absorb the cost.

It is my opinion that this plan can be a workable one if safeguards are placed therein to assure the rice farmer some means of protection. These safeguards must be there for him to be able to make long-range plans for financing, land leasing, equipment buying, and so forth. It is my opinion that many of the objections to the present plan advanced would not be nearly as voluminous if safeguards will be placed at strategic places.

However, it appears that the alternative of keeping the present program would reduce income to the 14,500 rice farmers or farms with

allotments some \$400 to \$500 per acre, necessarily more for the large farms and less for the small farms to have this average of four to five hundred loss of income.

I am satisfied that we should take an alternative plan when this occurs. Therefore, Mr. Chairman, it is my opinion that a plan can be worked out by the Congress, the administration, and members of the rice industry, whereby costs can be removed from the present program with safeguards placed in such a plan to insure protection of the rice farmer income.

In the last 10 years, the price per hundredweight of rice to the producer has dropped about 30 percent, while items of production which he has no control over, such as labor, machinery, land rent, water price, and so forth, have increased 15 to 20 percent, and in some items considerably more.

At this point I would like to point out what has happened to consumer prices. During this period milled rice shipped to food markets in my community—and I took the trouble of going back to the local grocery store, and we have one in the Garwood area, and had them go back through their 10-year records, and got the wholesale price of rice that they paid for milled rice of various brands, and I am not going to call any mills by name, that was placed on the market.

Rice has increased in price about 25 percent in the last 10 years to the consumer. In the meanwhile consumption by this consumer has continued to increase. I would like to point out that we have had this thing happen in the last 10 years.

Mr. Chairman, in closing I would like to say that my sole purpose in appearing before this committee is to emphasize that the rice farmer cannot and must not be forced to take a loss in income. It has certainly been a privilege to appear and testify on what I can honestly defend and also feel confident that the majority of the producers in my area feel the same way, provided they know the facts involved.

I thank you.

Are there any questions, Mr. Chairman?

Mr. GATHINGS. Texas is a big State, Mr. Cranek.

Mr. CRANEK. Yes, sir.

Mr. GATHINGS. It is quite a big State. With regard to the geography of Texas, where is your hometown?

Mr. CRANEK. Ninety miles west of Houston.

Mr. GATHINGS. Ninety miles west of Houston?

Mr. CRANEK. Yes, sir.

Mr. GATHINGS. That is pretty close to—Galveston would be south of Houston.

Mr. CRANEK. It is between Houston and San Antonio.

Mr. GATHINGS. You are west?

Mr. CRANEK. Yes.

Mr. GATHINGS. I see. I would just like to ask you, who is your Representative in the House?

Mr. CRANEK. Clark W. Thompson.

Mr. GATHING. And a good one.

Mr. CRANEK. Yes.

Mr. GATHINGS. He was on this committee for a long, long number of years.

Mr. CRANEK. Yes, sir.

Mr. GATHINGS. He was the chairman of a subcommittee here for years and years on rice.

Mr. CRANEK. Right, sir.

Mr. GATHINGS. He appeared before the committee yesterday.

Mr. CRANEK. Yes, sir.

Mr. GATHINGS. And told us that his people were unable to live with this new title III suggestion that was sent down to us.

Mr. CRANEK. Right, sir. And my testimony states that the majority of the farmers in my area do not accept title III.

Mr. GATHINGS. I don't understand you.

Mr. CRANEK. The majority does not accept title III.

Mr. GATHINGS. Do not accept it?

Mr. CRANEK. That is right, sir. That was my statement.

Mr. JONES of Missouri. Mr. Stalbaum.

Mr. STALBAUM. Mr. Cranek, along that line, you did, however, indicate that you felt that with some safeguards and some modifications, that a program could be worked out whereby at least a portion of this cost could be transferred to the consumer; is that not correct?

Mr. CRANEK. Yes, sir. It is my opinion that if we are to protect the income of the producer, that there is only one place that this can be done, and this is for the consumer to bear an additional cost of the product item of production.

Mr. STALBAUM. Did you hear the testimony yesterday?

Mr. CRANEK. Right, sir.

Mr. STALBAUM. And you heard our chairman indicate the possibility of there being time for groups to sit down with the Department and perhaps representatives of this committee, to try to work out some satisfactory proposal?

Mr. CRANEK. Yes, sir.

Mr. STALBAUM. And you are in full accord, from your testimony, with that suggestion?

Mr. CRANEK. Right, sir.

Mr. STALBAUM. Thank you.

Mr. JONES of Missouri. Thank you very much, Mr. Cranek.

Mr. David Winterman did you testify yesterday?

STATEMENT OF DAVID WINTERMAN, EAGLE LAKE, TEX.

Mr. WINTERMAN. No, sir; I did not.

Mr. Chairman and members of the committee, my name is David Winterman, president of the American Rice Growers Association. I did not appear with them yesterday because I thought any testimony that I gave would be repetitious.

I did want to come and just make two statements, mainly in answer to Congressman Stalbaum's questions.

One was that rice in Texas and in the greater part of Louisiana is a one-crop area or a one-crop economy, and that does not hold true, as far as I can find out, in California and Arkansas, but it does hold true for Texas. Any disruption in our income would be disastrous to our farming communities.

The other question that has been posed by him a number of times is what alternative do we have to offer. We have no alternative on this program, and the people to whom I have talked in my own district, and members at our meetings, have all said that if there is no alternative

to the certificate plan then find one under our present legislation and work it out, as you say, through a reduction in parity and acreage.

They do not want to go into the certificate plan. I think that holds true for the majority of our farmers in Texas.

I thank you for the privilege of appearing at this time.

Mr. JONES of Missouri. Thank you, Mr. Winterman.

According to the list that I have here, and it could be wrong, we have Mr. Vernon Harrison.

We are glad to have you here, Mr. Harrison.

STATEMENT OF VERNON HARRISON, MATAGORDA COUNTY RICE FARMERS COOPERATIVE, BAY CITY, TEX.

Mr. HARRISON. My name, Mr. Chairman, is Vernon Harrison.

Mr. JONES of Missouri. You are close to Galveston, are you?

Mr. HARRISON. That is about 75 miles toward Corpus from Galveston, almost halfway between Houston and Corpus Christi.

Mr. JONES of Missouri. I see.

Mr. HARRISON. My name is Vernon "Red" Harrison, rice farmer and former ASCS county committee chairman from Bay City, Tex. I represent the Matagorda County Rice Farmers Association, a group of 300 rice producers, farming 45,000 acres on the gulf coast of Texas. Our association has only one function, the orderly marketing of the rice we grow and to represent our farmers at hearings such as this.

We thank you for the opportunity to be heard on a subject on which many opinions have already been expressed.

First, we would state that our farmers are opposed to title III of H.R. 7097. We are fearful of the unlimited power given the Secretary of Agriculture by this bill, and of the subsequent regulation which may be issued by the Department of Agriculture as they attempt to interpret this proposed act of Congress. We believe the present law is adequate to operate the rice program.

Second, we would like to insert into this hearing the words of the Secretary of Agriculture, when he presented this bill before the House Committee on Agriculture on April 6, 1965, and when he stated the purpose of this bill, and I quote:

To reduce the cost of farm commodity programs in order to free more public resources for the war on poverty, for education, for housing, and for many other programs designed to help people in rural and urban areas.

We ask you, why has the administration singled out the farmers—and most certainly rice farmers—to take a cut in income to supply a source of funds for public support programs? If the administration had proposed to cut our national budget, and our national debt, by \$50 million, we believe only a few rice farmers would have howled, but as the Secretary states, they only mean to shift this amount of our Government spending program from the rural area to other areas. We do not believe it just for the proud people of Puerto Rico and Hawaii and our heavy rice-consuming areas in New York State, the Carolinas, Louisiana, Texas, and Mississippi, to attempt to pay for the cost of welfare programs.

Third, we do not approve of the idea in this bill to set up a bonus for small rice allotments. In Texas, the economic farm unit is at

least 150 acres. As Mr. Chalkley from Louisiana has pointed out, the small allotments do not represent individual farm units, but are generally held by people who acquired small allotments at the beginning of the program, or by inheritance, and who have held onto them and do not actually farm the allotment, but farm it out for a share of the crop with an actual producer for 10 to 15 percent.

I might add here that the allotments are mainly held by landowners who own the land, and rent the land to producers and furnish their proportionate share of the allotment.

Finally, it has been pointed out, that if we do not accept this new program, we must certainly face acreage and price support reductions under the present act. We believe that if the Government does not need our rice to combat world hunger and world need, if rice is not the important weapon of peace we have been told it is, then there is certainly no need to grow excess rice. But, remember, today we have no surplus of rice with the present acreage allotment and very little rice is under Government loan today.

In any event, our Texas rice farmers would appreciate the opportunity to submit their ideas on any rice program which is to be put into effect by democratic process, and then we will stand with the majority, as is the tried and proven way of doing things in these United States.

Thank you.

Mr. JONES of Missouri. I want to thank you for your statement, Mr. Harrison.

Are there questions?

Is Mr. John F. Hurley present? Are you to testify now? All right, we will hear from you at this time.

**STATEMENT OF JOHN F. HURLEY, EXECUTIVE VICE PRESIDENT,
KELLOGG CO., BATTLE CREEK, MICH.; ACCOMPANIED BY FRED-
ERICK FURTH**

Mr. FURTH. My name is Furth, and I am an attorney for the Kellogg Co.

May Mr. Hogan, from the Ralston Purina Co., join us? The committee may then hear the two witnesses together.

Mr. JONES of Missouri. We will be happy to have you do so.

Mr. HURLEY. Mr. Chairman and members of the committee, my name is John F. Hurley. I am executive vice president of the Kellogg Co. With me is Frederick Furth, a Kellogg Co. attorney. Our company manufactures a variety of 20 ready-to-eat cereal foods.

We have a prepared statement that has been presented. I would like to enter it in the record, if you will, please.

Mr. JONES of Missouri. We will be happy to do that.

(The statement of John F. Hurley follows:)

STATEMENT OF JOHN F. HURLEY, EXECUTIVE VICE PRESIDENT, KELLOGG CO.

Mr. Chairman, members of the committee, my name is John F. Hurley. I am executive vice president of the Kellogg Co. With me is Frederick Furth, a Kellogg Co. attorney. Our company manufactures a variety of 20 ready-to-eat cereal foods.

We have four plants in the United States, located in Battle Creek, Mich., Memphis, Tenn., Omaha, Nebr., and San Leandro, Calif.

I am pleased to have this opportunity to share with this committee some thoughts about title III of the omnibus farm bill.

I will outline briefly—

(1) The importance of rice in the general diet and rice in breakfast foods, and

(2) The possible effects an increase in the price of rice may have on the ready-to-eat cereal industry and related industries.

During the last 12 months, nearly 1,200 million pounds of ready-to-eat cereal foods made from corn, wheat, rice, and oats were sold through grocery stores in the United States. In addition, several hundred million pounds were used in institutions and restaurants and by the armed service.

Each of these four common grains have nutritional and taste qualities, plus the general acceptance that make them very suitable and desirable bases for ready-to-eat cereals. As you are aware, these grains are the major source of iron and B vitamins in the American diet.

Leading nutritionists agree that each of these four grains provide unique and special benefits, and report that diets which include the regular use of all four grains may be superior to those restricted to any one grain.

Here are some of the special benefits of rice:

(1) Enriched rice is a carbohydrate source which has significant levels of iron and B vitamins.

(2) The protein in rice is superior in quality to protein in any other common grain source.

(3) Rice is employed very well in special dietary situations:

(a) Because milled rice is virtually sodium-free, it is admirably suited as a component for special diets required by individuals suffering from high blood pressure.

(b) Because rice is well known as a nonallergenic grain, it is normally the first cereal allowed babies. Many babies allergic to wheat and other grains can tolerate rice.

(c) Because rice is gluten free, rice and rice-based products are suitable foods for infants suffering from celiac disease and for adults with nontropical sprue.

(d) Because of the low sodium and low fiber composition of rice, it is well suited to many diets for the elderly.

I think you'll agree that rice plays an important part in providing our people with both regular and very special dietary needs.

And now, I'd like to talk about rice as it is used in the products of our industry.

Our research people like to work with rice as a breakfast food ingredient. They tell us that in addition to its special nutritional qualities, this grain also has unique physical and chemical qualities not possessed in corn, wheat, or oats.

The end product from a properly processed rice formula is generally more crisp and yet more tender in the mouth than products from any other grain source. When placed in milk, most rice products are quite impervious to moisture and provide more oral satisfaction without the hard or tough quality common to some cereals of other grain origin.

Because rice is a very bland-tasting grain, as distinguished from corn, wheat, and oats, which are strongly flavored, rice products enjoy a high measure of acceptance among people who find strongly flavored food objectionable at the morning meal.

The Kellogg Co. has great respect for this fine grain. You probably are aware that it is the largest field crop in the world and that there are many good reasons for its being the basic food of more than one-half the world's population.

For the reasons stated above, we hope we can continue to market new rice products and continue to build upon the volume of existing rice products.

There is, however, a problem. Rice, as compared to corn, wheat, and oats, is already expensive.

Using an index for the cost per hundred pounds and assigning a value of 100 to corn grits, the least expensive grain, the following price comparison results:

Corn grits	100
Wheat	105
Oat flour	140
Rice	250

On this basis, you can see that rice already costs more than twice as much as corn grits or wheat. The high cost of rice is the primary reason why the rice products of our industry do not enjoy a higher share of the market for ready-to-eat cereals. Currently only 14 percent of the ready-to-eat cereals available have rice as a basic ingredient.

Now, let us look at a breakdown of tonnage sales for the entire industry during the last 12 months :

Cereals processed from :	Percent
Wheat-----	39
Corn-----	26
Oats-----	19
Rice-----	14
Grain mixtures-----	2

The four leading ready-to-eat cereals now on the market are:

Product	Base
Kellogg's Corn Flakes-----	Corn grits.
General Mills' Cheerios-----	Oat flour.
Kellogg's Rice Krispies-----	Rice.
General Mills' Wheaties-----	Wheat.

In comparing the price per ounce of these four cereals, I have selected the largest package size of each product available. The size and average price per ounce to the consumer are :

	Price per ounce
Kellogg's Corn Flakes (18 ounces)-----	0. 0216
General Mills' Wheaties (18 ounces)-----	. 0250
General Mills' Cheerios (15 ounces)-----	. 0303
Kellogg's Rice Krispies (13 ounces)-----	. 0331

Again, using the price per ounce as an index and assigning Corn Flakes a value of 100, the picture looks like this :

Exhibit I

Kellogg's Corn Flakes-----	100
General Mills' Wheaties-----	116
General Mills' Cheerios-----	139
Kellogg's Rice Krispies-----	153

Now what does that mean to those of us in the cereal industry and to the consumer shopping for cereal?



Note that in the marketplace under today's circumstances, the leading rice cereal is at a serious disadvantage. The price per ounce is more than 50 percent higher than the corn cereal. Note also that a package of rice cereal selling close to the same price per package as those for corn or wheat products is smaller, This lessens its appeal.

We have asked our rice suppliers to estimate the probable increase in the price of rice the Kellogg Co. may have to pay should the legislation we are discussing be enacted.

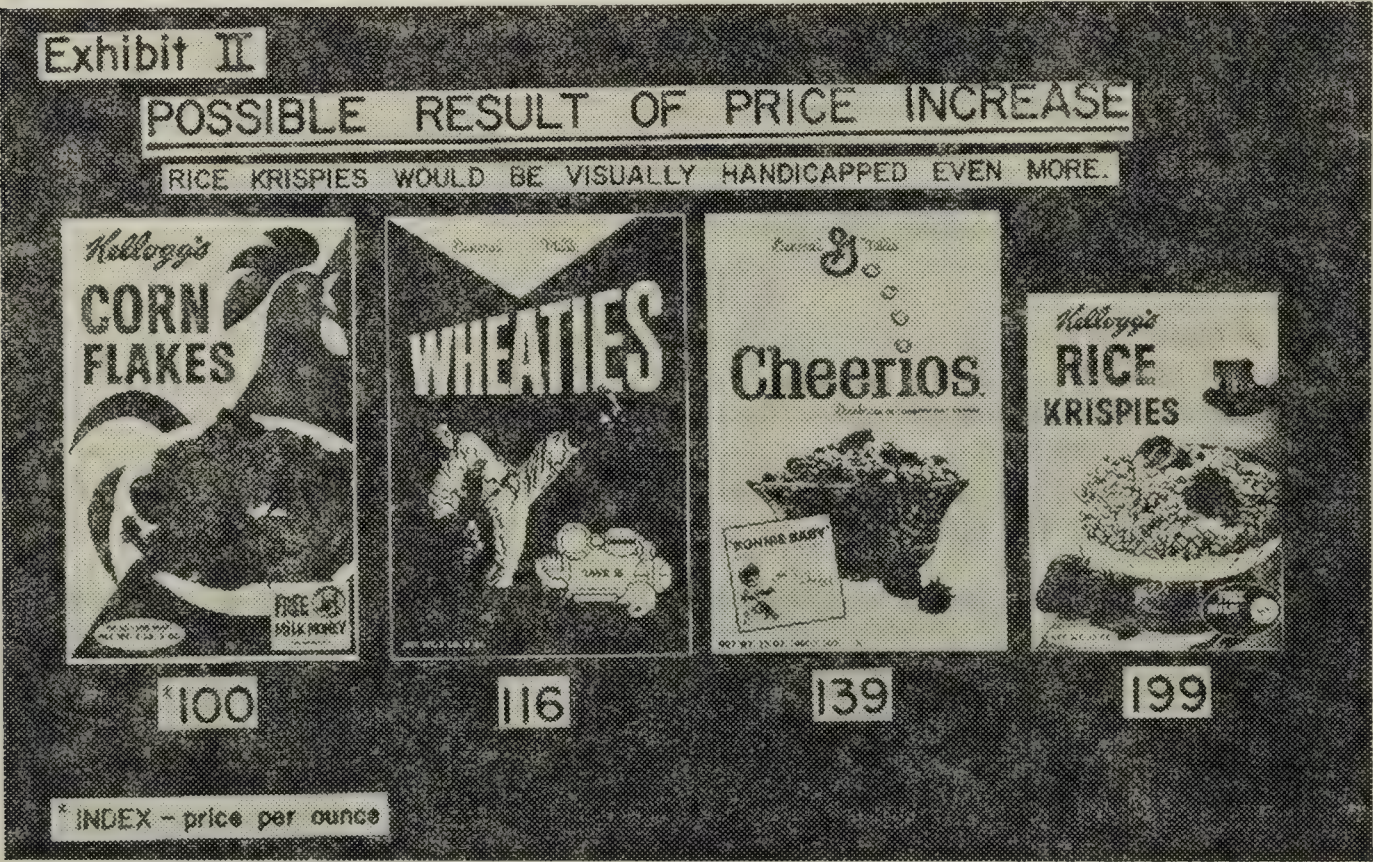
The consensus indicated 5 cents per pound. I have used this figure for the purposes of the next illustration.

A 5-cent-per-pound increase in the price of rice would put us in this position. We could increase the price of the 13-ounce package, allowing the same profit percentage margins for our company and the wholesaler and retailer. But this 13-ounce rice package would then cost 8 cents to 10 cents more than the 18-ounce wheat package and the 15-ounce oat package and 13 cents to 15 cents more than the 18-ounce Corn Flake package.

As an alternative, though a remote and undesirable choice, we could reduce the weight and size of our largest Rice Krispie package to keep the unit price more competitive with these other three cereal leaders with this result :

Exhibit II

Kellogg's Corn Flakes	100
General Mills' Wheaties	116
General Mills' Cheerios	139
Kellogg's Rice Krispies	199



Because of the higher cost of the raw ingredient, rice is placed at a more serious disadvantage than it is now. The package size is no longer remotely competitive to the other three packages—and the price per ounce is now close to double the price of corn flakes and significantly higher than the other two cereals.

Gentlemen, I have spent my entire working career in the food business. From firsthand experience, I can tell you that the volume of sales of ready-to-eat cereals made from rice will be curtailed drastically if the competitive relationship of these four grains is disturbed in the manner this bill directs. I have tried to demonstrate with one rice product that rice products generally are already in a disadvantageous competitive position.

In fact, manufacturers are already bypassing rice as a cereal base, because of the difficulty in marketing the products competitively. Of the last 20 cereals introduced nationally, only 2 contain any rice. One of these contains approximately 5 percent. The other product is a low-volume specialty product. The

passage of this bill would virtually eliminate rice from the research plans of all companies in our industry.

The Kellogg Co. has four products utilizing rice as the main ingredient. They account for approximately 11 percent of the ready-to-eat cereal market and make the Kellogg Co. the largest processor of rice in the United States.

This level of success has been achieved through long and costly research, careful introductory planning, years of house-to-house sampling, and tens of millions of dollars in investments in building and equipment, and expense in building valuable consumer franchises.

These products are now profitable and important contributors to the success of our company.

Because of some of the unique chemical qualities of rice, in addition to its nutritive values, a crisp rice-cereal product is used as an important ingredient in many popular candy bars, confections, and bakery products. Our company, and other cereal manufacturers, supply the crisp rice for this use. It is generally sold on a cost-per-pound basis.

Unfortunately, marketing a 5-cent candy bar does not allow for price changes of this magnitude in a principal ingredient. Yet, for many reasons, including the large volume of these products that are sold through vending machines, it's important that the price remain at 5 cents.

I have a telegram from Mr. Hans Wolfisberg, president of the Nestlé Co. He says:

"We have learned with unpleasant surprise that the proposed \$2.90 per hundredweight certificate on raw rice will substantially increase the cost of crisp rice used in the manufacture of the very popular and wholesome Nestlé's crunch chocolate bar. This increased raw-material cost puts this type of chocolate bar product on an unfavorable competitive basis. Nestlé is the largest user of crisp rice in the confectionery industry, and our raw material cost would be increased by hundreds of thousands of dollars. Nestlé's crunch chocolate is a very popular ingredient of the school lunchbag, is a preferred 'pick-me-up' of truckdrivers, is very useful in factory lunches, etc. Thus the proposed penalty on this popular food item would not appear to be either desirable or necessary, since it would hurt those most who can afford it least; i.e., schoolchildren and factory workers."

And a telegram from Mr. S. H. Hinkle, president of the Hershey Chocolate Co. It reads:

"Hershey Chocolate Corp. vigorously opposes provisions of title III of the omnibus farm bill which substantially increase cost of Rice Krispies, which we purchase in large quantities. Such increase would be a major deterrent in contemplated size enlargements of chocolate bars containing crisped rice and would inevitably result in detriment to the consumers of this item. Our State Department urges us to increase consumption of chocolate to aid overseas producers in friendly countries. It is shortsighted to prevent us from doing so if proposed legislation becomes effective."

These two products, and many others in the field, have taken many years to introduce and develop to the enviable position they occupy in that industry.

I choose to believe, as a supporter of the bulk of my government's policies, that the proponents of this bill did not envisage in their entirety the problems, the unfairness, and the potential serious wrongs that will result from the passage of the rice portion of this bill.

I sincerely seek the support of this committee in the common effort of all segments of the rice industry to have title III of this proposed bill deleted. Thank you.

Mr. HURLEY. I will try to move along rapidly, and touch on the high points of my testimony.

Our company manufactures a variety of 20 types of ready-to-eat cereals.

I want to thank you for this opportunity to share with the committee some thoughts about title III of the omnibus farm bill.

I would like to include in my remarks a few facts about the importance of rice as a basic commodity, and its desirability as an ingredient in processed foods. I would also like to include a few illustrations of the possible effects an increase in the domestic price

of rice may have on the ready-to-eat cereal industry and related industries.

During the last 12 months, nearly 1,200 million pounds of ready-to-eat cereal foods have been sold through grocery stores, and another few hundred thousand pounds through institutions, restaurants, and to the Armed Forces.

Each of the four common grains—corn, wheat, rice, and oats—have nutritional qualities, levels of taste, and general acceptance that make them very suitable and desirable as a basis for ready-to-eat cereals, and you may be aware that they are the major source of iron and B vitamins in the American diet.

Leading nutritionists indicate that a variety of all four is probably better in the American diet than a lot of just one grain.

Just to touch on a few of the nutritional qualities and the somewhat special and unique nutritional benefits of rice, it is a major source of carbohydrates. The quality of the protein in rice is superior to the quality of the protein in any of the other grains. I will clarify that. It doesn't contain the most protein, but the quality in the protein is better.

Rice has been employed to good advantage in many special dietary situations. Because milled rice is sodium free, it is very good for the treatment of high blood pressure, and, because rice is easily assimilated in the diet, it is probably the first solid food that many babies have. Infants that might be allergic to some of the other grains can often tolerate rice.

Because rice and rice-based products are often suitable for babies suffering from celiac disease, and adults suffering from nontropical sprue, and some intestinal diseases, and because of its low sodium composition, it is well suited to the diets of the elderly.

Time doesn't permit a long discussion of this sort of thing, but I think you will agree that rice has an important place in the diet.

I certainly hope you will agree rice is not a luxury item, and there is nothing frivolous or harmful that suggests it should bear a special tax to restrict its use.

Now, I would like to talk about rice in our cereal industry. Our research people like to work with rice. In addition to the nutritional qualities, it has several physical and chemical qualities that make it especially suitable to provide a crisp cereal, and yet one that is tender in the mouth. The end product of rice-based products quite frequently stands up better in milk and makes a more suitable dish of cereal. Rice is a very bland-tasting grain as compared to wheat, corn, and oats, and is more suitable to some people who don't like strong-tasting foods in the morning.

The point I would like to make is that the Kellogg Co. has great respect for this fine grain. You are probably aware that it is the largest field crop in the world, and that there are many good reasons for it being the basic food of more than half the world's population.

For these and other reasons our company has hopes of marketing more new rice products. We hope to continue to build upon the volume of the products we have. There is, however, a serious problem. Rice, in comparison to corn, wheat, and oats, is already expensive.

The way we buy these various grains is not right in the bushel basket that the folks talk about. We buy them in somewhat of a refined state, most of them. Here is the situation.

As we buy corn, and assigning a value of 100 on an index per hundred pound basis to corn, and wheat costs 5 percent more—I hope the suppliers will look at this, too—oats are 40 percent more than the basic index figure of corn at 100 percent, and here we come to rice at 250 percent.

What I am saying is when we buy 100 pounds of rice to make our ready-to-eat cereals, we are paying 150 percent more than corn. We feel that this high cost of the raw ingredient is one of the important reasons that rice as a base for cereals is currently only 14 percent of our industry.

What I am saying, of all the cereals that are sold, those containing as their major ingredients rice are only 14 percent of the present industry. That is compared to 19 percent for oats, 26 percent for corn, and 39 percent for wheat.

Are there any questions up to this point, gentlemen?

Mr. JONES of Missouri. No; I think we are following you.

Mr. HURLEY. The four leading ready-to-eat cereals now on the market are Kellogg's Corn Flakes, General Mills Wheaties, General Mills Cheerios, and Kellogg's Rice Krispies.

In comparing the price per ounce of these cereals, I have selected the largest package sizes available for each of the products. This is the result of that comparison.

Kellogg's Corn Flakes cost somewhat over 2 cents an ounce in the package, as you see it, this is to the consumer. Kellogg's Corn Flakes cost a little more than 2 cents to the consumer in the package.

General Mills Wheaties are about 2½ cents.

General Mills Cheerios a little over 2 cents.

Kellogg's Rice Krispies are 3.3 cents.

Now, using the price per ounce as an index again, and assigning a value of 100 to corn flakes, we look at this situation here. This package (corn flakes) costs in various stores around the country from 37 cents to maybe 43 cents, but assigning its average value or its average cost 100 percent, Wheat Flakes is 16 percent more, and oats are 39 percent more than corn, and you can see that rice is over 50 percent more expensive than the large package of corn flakes.

What does this mean to us in the cereal industry? You will note that the rice package is smaller, and as the woman approaches the shelf, she has to overcome an urge to buy a larger package before she picks up Rice Krispies. The size lessens its appeal.

We have asked our rice suppliers to estimate how much Kellogg Co. would probably have to pay for rice if H.R. 7097 were passed. They have indicated that the price will probably approximate 5 cents. That is, Kellogg would pay about 5 cents per pound more for rice. A 5-cent-per-pound increase in rice would put us in this position.

We could increase the price of that 13-ounce package on the end there, Rice Krispies, and then it will become from 8 to 10 cents more than either of the two center packages. After a woman had reviewed the fact that it was smaller, then she would have to review in her budget mind whether she wanted to pay 8 to 10 cents more for it, and as compared to corn flakes, the least expensive, and I would like to have the folks look at the difference in the size here. There would be a 13- to 15-cent differential in favor of corn flakes. Corn flakes will be 13 to 15 cents less expensive than this package.

Now, there is another less desirable and probably remote alternative. We could reduce the weights and the size of our largest Rice Krispies package with this result. This would be the new relationship.

Because of the higher cost of raw materials, the raw ingredient, that is after the 5-cent additional price Kellogg would be paying for the raw ingredient, the rice product would be then at an even greater disadvantage than it is now. The size of the package would have to be even less competitive, and the price per ounce would be close to double the price of the leading corn cereal, and considerably higher than the other two products.

Now, gentlemen, I understand that there was a representative from the Department of Agriculture yesterday that indicated that the demand for rice is inelastic. Gentlemen, I have devoted my entire working career to the sale of food products, and from first-hand experience I can tell you that the volume of rice product sales will be drastically curtailed if the competitive relationship of these four grains is disturbed, as this bill directs. I have tried to demonstrate with one rice product that the rice products generally are already at a competitive disadvantage.

The Kellogg Co. processes four rice-based products in its plants around the country. Our level of success has been achieved through costly research, careful product introductions, years of house-to-house sampling, and a major reinvestment of earnings in new buildings and equipment and a proper expenditure of money and effort required to build lasting consumer franchises.

At this point I would like to mention that most cereal processors are bypassing rice as a cereal base. That is in the present situation. They are doing this because of the difficulties of marketing encountered for rice products as compared to the other four.

Of the last 20 cereals introduced to the American market, only 2 have contained rice. One contains rice at only the 5-percent level, it being basically a corn flake. The other is a low-volume specialty product.

The passage of H.R. 7079 could virtually eliminate rice from the research plans of the major companies in our industry. Rice products are currently very much a part of our business, because the unique chemical qualities I have mentioned before make them also good ingredients for candy bars, confections, and some bakery products.

Our company and other cereal processors supply a crisp rice to other food processors. Generally crisp rice is sold on a cost-per-pound basis. Unfortunately the economics of marketing a 5-cent candy bar such as these two demonstrated in the picture here does not permit a price change of great magnitude when it comes to buying the principal product ingredients. The sale of a large volume of these products by means of vending machines makes it more or less mandatory to maintain a 5-cent price.

I have with me a telegram from Mr. Hans Wolflisberg, president of the Nestle Co., whose bar is represented in the picture here, and it reads as follows.

Fred, would you like to read the telegram?

Mr. FURTH. This telegram is addressed to Mr. John F. Hurley, of the Kellogg Co.

We have learned with unpleasant surprise that the proposed \$2.90 per hundred-weight certificate on raw rice will substantially increase the cost of crisp rice used in the manufacture of the very popular and wholesome Nestle's Crunch chocolate bar. This increased raw material cost puts this type chocolate bar product on an unfavorable competitive basis. Nestle is the largest user of crisp rice in the confectionery industry and our raw-material cost would be increased by hundreds of thousands of dollars. Nestle's Crunch chocolate is a very popular ingredient of the school lunchbag, is a preferred pick-me-up of truck drivers, is very useful in factory lunches, etc. Thus the proposed penalty on this popular food item would not appear to be either desirable or necessary since it would hurt those most who can afford it least, i.e., schoolchildren and factory workers.

It is signed by H. J. Wolflinsberg, president of the Nestle Co.

Mr. HURLEY. Here is another telegram from Mr. S. H. Hinkle, president of the Hershey Chocolate Co., of Hershey, Pa.

Mr. FURTH. Again addressed to Mr. Hurley:

Hershey Chocolate Corp. vigorously opposes provisions of title III of the omnibus farm bill which substantially increases cost of Rice Krispies, which we purchase in large quantities. Such increase would be major deterrent in contemplated size enlargements of chocolate bars containing crisped rice and would inevitably result in detriment to the consumers of this item. Our State Department urges us to increase consumption of chocolate to aid oversea producers in friendly countries. It is shortsighted to prevent us from doing so if proposed legislation becomes effective.

This is signed by S. H. Hinkle, Hershey Chocolate Co.

Mr. HURLEY. The Nestle Co. and the Hershey Chocolate Co. are but two of many companies that have spent years developing products with rice ingredients that would be affected by the passage of this bill.

I choose to believe, as a supporter of the bulk of my Government's policies, that the proponents of this bill did not envisage in their entirety the problems, the unfairness, and the potential serious wrongs that will result from the passage of the rice portion of this bill.

I have come before you hoping to assist in any way that I might your conscientious effort to make certain that the right kind of legislation is enacted for the good of our country.

I sincerely seek the support of the committee in the common effort of all segments of the rice industry to have title III of this proposed bill deleted.

Thank you very much.

Mr. JONES of Missouri. Thank you, Mr. Hurley.

Sometimes, of course, we don't see the far-reaching effect of this legislation. You have brought before us another facet of the problem here.

We have Mr. Hogan before us now.

STATEMENT OF JAMES W. HOGAN, PRESIDENT, RALSTON PURINA, CHECKERBOARD SQUARE, MO.

Mr. HOGAN. I am James W. Hogan, manager of the Grain, Grain Products and Merchandising Division Buying Department of the Ralston Purina Co., St. Louis, Mo. Ralston Purina is a 70-year-old, agriculturally oriented corporation. The major divisions consist of

Chow (feed), soybean, sanitation, grocery products, grain merchandising, International, and Van Camp. Food is our business. We serve the consuming public through agriculture.

On behalf of our grocery products division, which is responsible for the manufacture and distribution of our cereals, I am appearing to ask that title III be dropped from the omnibus bill H.R. 7097. It is our belief that this bill, which, in effect, establishes a processing or bread tax, is not in the best interest to any segment of agriculture or the consumers. The increased cost of rice, which we use in our Rice Chex, will tend to restrict the sale of rice via this product and this is not good for the farmer who raises rice, as it reduces the demand for rice. The increase in price, which the consumer would be faced with, can only be a deterrent to demand.

Though we are vitally interested in our Rice Chex, as well as Wheat Chex, and Corn Chex, and have spent much time, effort, and money, creating a product which is desired by the consumer and helpful to the farmer, this one product is not major to our total company agriculture complex. However, we cannot be in favor of this program which is not in the best interest of the farmer and very bad for the consumer.

Mr. JONES of Missouri. Just out of curiosity, what percentage would Rice, Wheat, and Corn Chex be? In what percentage are those divided? Would you know?

Mr. HOGAN. I am sorry that the consumer area is the one I am not qualified to answer. My responsibility is more in spending about \$300 million on total agricultural commodities, and rice is one. On the consumer end I am not qualified to answer.

Mr. JONES of Missouri. Would you say rice is not one of the major commodities of—

Mr. HOGAN. That is correct.

Mr. JONES of Missouri. You indicate, in the event this price would go up, there would be an increase in your wheat and corn and less in the rice?

Mr. HOGAN. Yes. I believe that I would be qualified, with the total dollars that I am responsible to spend for agricultural commodities, to state very emphatically that an increase in price reduces our demand and our effort in that particular area, and the amount of money I spend for corn and all other ingredients, the minute the price rises appreciably, our demand normally dissipates or is drastically reduced. So there is no question in my mind that less effort, less sales effort and less consumer demand will result for our rice products.

Mr. JONES of Missouri. Mr. Gathings, do you have any questions?

Mr. GATHINGS. No. I think it would have been fine if we had more members of the subcommittee present when this presentation was given.

Mr. JONES of Missouri. Mr. Stalbaum?

Mr. STALBAUM. I have no questions, except to say I think it is an excellent presentation.

Mr. JONES of Missouri. It is very fine.

Before we recess to meet in the morning, we have the Rice Millers Association of Texas, who will be here in the morning at 10 o'clock.

Are there any others in this room who would like to either make a statement or file statements?

If not, we want to thank all of you for being present.

We have a number of communications here which will be made a part of the record. We have a great number of letters that will be indicated as to the writer and their position on the bill, and we will get most of these on in the morning.

I thank all of you gentlemen.

(Letters from R. A. Fisher and Harlan H. Holleman are as follows:)

To Committee on Agriculture, Washington, D.C.

Mr. Chairman, members of the committee, my name is R. A. Fisher of Wynne, Cross County, Ark. I am the manager of Gibbs-Harris Rice Drier, Inc., Wynne, Ark., a position I have held for the past 20 years.

I respectfully ask this committee to eliminate title III from the omnibus farm bill. I list hereon only a few of the objections to this section of the bill.

The bill as proposed would:

1. Raise the domestic price of rice 4 to 6 cents per pound. (The Secretary of Agriculture has stated that he will set the domestic market allotment at 100 percent of parity under a certificate program.)

2. Reduce the domestic market for rice (although the producers have been for the past several years contributing approximately three-fourths of a cent per bushel to an organization, "The Rice Council," whose sole activities have been the promotion of rice). I might add that the results of the work of this organization has been very gratifying. The domestic per capita consumption of rice is increasing each year.

3. The per capita consumption of rice is larger with the people in the lower income groups; therefore, this bill would actually tax the poor. This could very well be called a consumer tax for foreign aid. A new tax on the consumer or any other number of titles, all of which should include the word "tax" as this is what the end result would amount to. I understand there are proposals to cut excise taxes on furs and jewelry. Does it make sense to do this but at the same time apply a 25- and 50-percent consumer tax on a basic food?

4. The increase in cost for domestic rice would curtail the use of rice by the cereal manufacturers as well as the brewing industry. These people would turn to other commodities at lower prices.

5a. Farmers would get about 100-percent parity on the domestic part of his allotment but income from both certificates and the crop would give them a blend price. The blend price may or may not hold growers' incomes near current levels. The loan rate would drop from current \$4.50 to about \$3.60 per hundredweight, or about the world price. Processors would have to buy certificates from Government at as yet unspecified rates.

5b. Graduated supports proposed are discriminatory. The certificates would have a fixed value to the grower, but how many an individual grower would get would depend on his output. For example, producer might get certificates on up to 55 percent of 500 hundredweight, 45 percent of the next 1,000 hundredweight, and only 35 percent of production in excess of 1,500 hundredweight. The blend price result would reduce the average per bushel income to the growers as his total production increased.

5c. The program, as proposed, will provide for different values of certificates to different size farms. A small farmer would receive more for his certificates than a larger farmer.

6. The proposed program will set up unit (bushel or hundredweight) controls, at the farm level. This will remove the incentive for increasing yields.

7. The method of establishing acreage allotments will be changed. The national quota, estimated requirements, would be converted to a national acreage allotment on the basis of the current projected yield. Farm allotments could very easily change each year.

8. No changes should be made in the present program. The proposed certificate plan will greatly affect the economy of the entire producing area.

The establishment of the price support level and the acreage allotments will be established at the discretion of the Secretary of Agriculture, each year. Planning farm operations, for future years, will be increasingly difficult as a farmer will not know what to expect for the coming year.

Gentlemen, there are many, many more objections to this section, title III, of the proposed legislation. Again I respectfully request that it be eliminated. I appreciate you hearing the objections listed hereon. Any consideration you

may give to same is appreciated by me and the ricegrowers throughout the rice-producing area.

Respectfully submitted.

R. A. FISHER.

WYNNE, ARK., May 11, 1965.

Hon. HAROLD D. COOLEY,
Chairman, House Agricultural Committee,
Washington, D.C.

DEAR MR. COOLEY: I apologize for not being able to attend the hearing your committee is holding in the interest of the farmers in my community and for a better agricultural program.

I am sure the full impact of the effect this administration's omnibus farm bill would have on our rice and soybean program has not been realized by you.

Rice, at present, is probably in better shape than any other farm product. Our old program is working well, and should not be changed. The enactment of a two-price system could easily bankrupt the rice industry. If the Public Law 480 (foreign aid) program expenses, the school lunch program expense, and the subsidiaries paid to shippers were not charged against the rice program, you would probably find it the most inexpensive program in operation.

This bill also allows soybeans to be planted on land taken out of production in the feed-grain program. This is about the most preposterous thing I have ever heard. The only free crop on the market, and one that is causing no trouble, is soybeans. To encourage a surplus production by allowing land that has been retired from production of feed grains through Government payment to be planted to soybeans could be disastrous to this industry. Let's keep this program clean.

I hope that you, our Representatives, will not allow the administration to walk over you with this type program, and that you will truly represent the people by seeing that this bill goes down to a resounding defeat.

Thank you.

HARLAN H. "Bo" HOLLEMAN,
President, Holleman Seed Service Co., Inc; Secretary-Treasurer, Hamlin Flying Service, Inc.; Secretary-Treasurer, M. & H. Farms, Inc.; President, Cross County Farm Bureau; Vice-President, Arkansas Seed Growers Association; Member, Board of Directors, Arkansas Seed Dealers Association; Member, Wynne School Board.

Mr. JONES of Missouri. I thank all of you gentlemen. We are going to have to leave now. We will hear from the Rice Millers' Association in the morning.

The committee will stand adjourned until 10 o'clock in the morning.

(Whereupon, at 3:35 p.m., an adjournment was taken until 10 a.m., Thursday, May 13, 1965.)

RICE

THURSDAY, MAY 13, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OILSEEDS AND RICE
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 1310, Longworth House Office Building, Hon. Paul C. Jones of Missouri (chairman of the subcommittee) presiding.

Present: Representatives Jones, Gathings, Stalbaum, Belcher, and Walker.

Also present: Representatives Dague and Clark Thompson; Betty Prezioso, staff.

Mr. JONES. The subcommittee will come to order, please.

We have with us our colleague from Texas, the Honorable Jack Brooks, whom we are pleased to have with us this morning, who is interested in this rice legislation and he will introduce some of the witnesses that we will be hearing from this morning.

**STATEMENT OF HON. JACK BROOKS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TEXAS**

Mr. BROOKS. Mr. Chairman and members of the subcommittee, you are very gracious to let me come down to be with you; you have always been. And I want to say at this time that I understand the difficulties in the rice industry, and I appreciate your own willingness to work diligently in an effort to solve it in a manner that will allow our growers, millers, producers and processors all to survive in their competitive and difficult world market situation.

Without belaboring it any further, I know that you are well informed on this and you will be better informed after all of these people have spoken to you. I would like, without any further delay, to introduce one of the ablest young businessmen and one of the best businessmen in my district. He has a fine mind, a good education, a good background. He has been in this rice business all of his life, as was his father and his grandfather before him. He is president of the Rice Millers' Association this year. He is vice president of the Beaumont Rice Mills in Beaumont, Tex., my hometown. He is an outstanding civic leader. I think that you will find his evaluation of this bill and any legislation is worth while and is worth hearing and will be concise.

Without any further ado, I will introduce and present to you Mr. Joe Broussard from Beaumont, Tex.

Mr. JONES of Missouri. Thank you. We are always glad to have you here and are glad to have you here this morning.

We will be glad to hear from Mr. Broussard at this time.

STATEMENT OF JOE BROUSSARD II, PRESIDENT, THE RICE MILLERS' ASSOCIATION AND, ALSO, VICE PRESIDENT, BEAUMONT RICE MILLS, BEAUMONT, TEX.

Mr. BROUSSARD. Mr. Chairman and members of the subcommittee, thank you. We appreciate those kind words, Jack.

This being my first occasion to appear before a congressional committee, I am particularly pleased that Jack sort of held my hand and guided me in here, because this is something new to me. Jack has done a great job for us in the Second District of Texas. We appreciate his support.

Before reading my opening statement, I would like to introduce my colleagues from the Rice Millers' Association who will take part in our presentation.

First is Mr. Gordon E. Dore, vice president of the Supreme Rice Mills, Inc., of Crowley, La.; next is Mr. Robert Holland, Jr., president of Comet Rice Mills, Inc., of Bay City; and next is Mr. Robert B. Goff, vice president, River Brand Rice Mills, Inc., Houston, Tex.; and next is Mr. J. P. Gaines, executive vice president of the Rice Millers' Association of Washington, D.C. They will join me at the witness table.

Mr. JONES of Missouri. We are glad to have all of you gentlemen here this morning. You may proceed.

Mr. BROUSSARD. Mr. Chairman and members of the Subcommittee on Rice, my name is Joe Broussard II. As Jack Brooks told you, I am president of the Rice Millers' Association for the current year. I am also vice president of Beaumont Rice Mills at Beaumont, Tex. My home is in Beaumont.

I was born and reared in the rice business. My grandfather, Joseph E. Broussard, was a founding father of the Texas rice industry and was also one of the original organizers of the Rice Millers' Association, serving as its president for its first 5 years. When he opened the first rice mill in the State of Texas in 1892, there were only 175 acres sown to rice in all of Texas. Now there are 465,000 acres planted to rice in Texas. The mill which my grandfather founded has been in continuous operation since 1892, as a processing and distribution plant for rice and rice byproducts.

In addition to milling, my family has been growing rice since 1890. We now produce or manage the production of rice on 5,700 acres in the Beaumont area.

The Rice Millers' Association carefully studied and considered the rice certificate plan which is proposed in title III of the farm bill, H.R. 7097.

It is the unanimous conclusion of the members of this association that title III should be eliminated from H.R. 7097 and that Government programs for rice be continued within the framework of current legislation.

I do not know of a single rice miller who supports the rice certificate plan for rice. We are opposed to this legislation because we are con-

vinced it is detrimental to the longtime health and welfare of the rice industry.

Some of the reasons for reaching this conclusion will be described in statements that are to be presented to you by my colleagues in the Rice Millers' Association.

Basically, this legislation proposed in title III would have the rice industry sacrifice its domestic market in favor of export markets, largely the very uncertain food-for-peace program under Public Law 480.

We believe this legislation will eventually do grave damage to our most important market—our domestic market. History has shown time and again that our domestic market is stable and secure—but that the foreign market is changeable and uncertain.

We believe it would be next to impossible to effectively police the program proposed under title III. Variations of this proposal were tried for rice in the late 1930's and it was not effectively policed to prevent the unscrupulous few from taking advantage of everybody else.

We also believe it is possible to reduce the cost of the current program within the framework of current legislation in ways that will not unduly punish the rice industry. This program is working well under the efficient administration of the Department of Agriculture.

Before asking my colleagues to elaborate on our position, I want to present to you a resolution that was adopted by the Rice Millers' Association last week at its 66th annual meeting in New Orleans, La., and request that this resolution be included in the record of this hearing.

I am not going to read the resolution. I do not think that we need to take the time to do it.

Mr. JONES of Missouri. It will be made a part of the record, and made a part of your remarks as though you had read it.

Mr. BROUSSARD. And on behalf of the membership of the Rice Millers' Association I want to express our appreciation of your kind attention.

And at this time we will move on to the other members who are going to make statements on various phases of this legislation. And I will ask now Mr. Goff of River Brand Rice Mills, Inc., to present his statement. Mr. Goff is going to discuss the effects this proposed legislation will have on the domestic distribution of rice.

(The resolution of the Rice Millers' Association adopted May 8, 1965, follows:)

RESOLUTION OF THE RICE MILLERS' ASSOCIATION

The Rice Millers' Association has given exhaustive consideration to the certificate legislation for rice that is proposed in title III of S. 1702 and H.R. 7097, the farm bill now before Congress.

This legislation will raise the market price for rice by an average of 5 cents per pound, and shift a large part of the cost of the Federal rice program from the Federal Treasury to the rice consumer.

This association is convinced that such an increase in the price of rice will result in substantial reduction of domestic consumption of rice, particularly in predominant parts of the rice market, such as low-income consumers, the cereal, soup and canning industries, and the brewery trade. These users of rice, making up over 75 percent of the domestic market, are particularly sensitive to price relationships between rice and other commodities.

Moreover, the legislation proposed in the farm bill, in essence, represents a new tax of \$75 million per year, and it is a tax that will not be equally applied. Certain areas of high rice consumption will be hit especially hard. For example, it will cost Louisiana—and mainly the New Orleans areas—\$5 to \$7 million per year, which will mean that this one State, of the 50 States in the Nation, will pay 7 to 10 percent of the cost of the program, with most of the cost borne by low-income people, who are the largest rice consumers.

In consideration of these and other factors, this association has concluded that the proposed certificate legislation is inequitable and detrimental, and should be eliminated from the farm bill.

This association recognizes the good intentions and objectives of the administration in proposing this legislation as a means of reducing the cost to the Federal Treasury of rice used in foreign aid; and we want to submit some alternative proposals for accomplishing these objectives.

Accordingly, the Rice Millers' Association submits the following proposals for consideration of the administration:

(a) That efforts to expand the use of rice in the domestic market be stepped up, including expansion of research and development, intensification of national promotion and advertising, and improvement of product merchandising.

We pledge to work diligently to achieve this objective.

(b) That efforts to develop dollar export markets for rice be enlarged and intensified. The rice industry has achieved remarkable success in developing dollar exports for rice. Rice from the Southern United States is now being distributed in over 100 countries of the world. We are convinced that dollar exports can be further expanded.

We pledge intensification of our efforts to expand dollar export markets for rice.

(c) Grower organizations in the rice industry have recommended that the Government use administrative alternatives within the framework of current rice legislation if necessary to achieve cost-reduction goals.

We concur in the recommendation of the rice growers.

(d) That the rice program be submitted to study of the National Commission on Food and Fiber, which the President proposes to appoint, and that all legislative proposals for rice be held up pending completion of the study of this Commission.

We pledge cooperation with the Commission: Therefore be it

Resolved, That members of the Rice Millers' Association, in annual meeting assembled this 8th day of May 1965, do unanimously adopt this statement of policy of this association; and be it further

Resolved, That this resolution be conveyed immediately to the Honorable Orville Freeman, Secretary of Agriculture, and to all Members of Congress from rice-producing States.

Mr. JONES of Missouri. We will be glad to hear from you now, Mr. Goff.

STATEMENT OF ROBERT B. GOFF, VICE PRESIDENT OF RIVER BRAND RICE MILLS, INC., AND DIRECTOR, RICE COUNCIL FOR MARKET DEVELOPMENT

Mr. GOFF. Mr. Chairman and members of the subcommittee, my name is Robert B. Goff, of Houston, Tex., and I appear before you today in behalf of the membership of the Rice Millers' Association. The report that I will present has been compiled from data obtained from the U.S. Department of Agriculture, the Rice Millers' Association, the Rice Council for Market Development, J. Walter Thompson Co., and other sources. I am vice president of River Brand Rice Mills, Inc., and a director of the Rice Council for Market Development.

I have been asked by the membership of the Rice Millers' Association to point out to you some of the possible and probable effects of the proposed legislation in title III of H.R. 7097 on the domestic dis-

tribution of rice. We greatly appreciate the opportunity of appearing before you to express these views.

Where does the U.S. rice crop go?

Sixty-two percent of it goes into export, and into the aid programs, and thirty-eight percent of it goes into domestic consumption.

Since my remarks will be confined to the domestic purchase of rice, we would like to break this down into the categories that we normally consider rice moves into. First, 66.7 percent is consumed in direct table-food use; 18.9 percent is consumed in the brewing industry; and 14.4 percent is consumed in baby foods, package cereals, other food processing, soups, and so forth.

What are the characteristics of the direct consumer of rice in the United States?

Rice is, primarily, a low-income-family item—49 percent of the frequent or heavy users are in the low-income group at this time, or were at the time of the 1950 report. That meant that the family income was less than \$2,240 annually. This group made up less than 25 percent of the population.

In the three-city study published in 1960, conducted under the auspices of the Research Bureau of the University of Texas by Professor P. M. Pratt, it was learned that the consumption varied with income as follows:

In the low-income group, 11.6 pounds were consumed per person; in the medium-income group, 6.7 pounds per person; and in the high-income group, 6.5 pounds per person.

For definitive purposes, the low-income group includes those making \$3,000 annually and under; and the medium-income group is composed of those making \$3,000 to \$8,000 per year; and the high-income group are those who have incomes of \$8,000 per year and over.

Rice is, primarily, consumed by large-family units. Households with five or more persons are 19 percent above the average in presence of heavy users.

Households with five or more are also the lowest group in incidence of nonusers or infrequent users of rice.

Rice consumption is especially high among Negroes, Puerto Ricans, orientals, and other nonwhites.

Nationally, the consumption by Negroes is at least 50 percent above the U.S. average, again showing the characteristics of rice as a staple for the low-income consumer.

In these three market domestic consumption study published by the University of Texas, the absolute consumption rates by nonwhites (Negroes) and whites were as follows: In Atlanta, the nonwhites consumed 21.5 pounds per capita; and the whites consumed 6.7 pounds per capita.

In Dallas, the Negroes consumed 14.2 pounds per capita; the whites 5.4 pounds per capita.

In Denver, the Negroes consumed 14.3 pounds per capita; and the whites consumed 4 pounds per capita.

Among Puerto Ricans and Hawaiians, the very high per capita consumption is also demonstrated as follows: In Puerto Rico, 1961-62, it was 124.8 pounds per capita; in Hawaii, 1956-57, it was 97.1 pounds per capita; and in the Virgin Islands, 1956-57 it was 63.3 pounds per capita.

Rice consumption is highest in high density urban areas. The index of consumption in Metropolitan New York is 26 percent higher than the rest of the United States. The larger the metro area, the higher the consumption of rice. This proportionately high concentration of moderate to heavy users are also found in Los Angeles, San Francisco, New Orleans, Philadelphia, Memphis, Atlanta, and Miami.

Consumption is not uniform by region.

Within the continental United States, the following five States accounted for over one-half of the rice bought for direct food consumption: California, New York, Louisiana, Texas, Hawaii.

At this point I would like to mention that page 7 has been removed from the brochure in that we find that there were some typographical errors. It was a chart of figures that would illustrate the cost of the proposed program in the various States. I would like to quote some of these figures to show that in Puerto Rico, for instance, the cost of the proposed program, the certificate burden, would amount to in excess of \$15 million. In the State of Louisiana the cost of the certificates as proposed would amount to in excess of \$5 million.

If the domestic direct food use were not to decrease—which is not likely as we will show shortly—the burden of the certificate cost must be absorbed by: low-income consumers; Negroes, Puerto Ricans, orientals and other nonwhites; heavy urban areas; and the large family units.

In industrial consumption, as has been pointed out to you previously, the brewing industry consumes approximately 18.9 percent of our domestic production.

The price of brewers rice presently and historically has been higher than the price of corn grits, the primary competitive item. However, if brewers rice could not absorb the increase, this increase would have to be passed to the domestic direct food users, at about 3 million hundredweights per annum. Presently in brewers rice this would further increase the price of rice in table rice from 4 to 6 cents per pound to about 5 to 7 cents per pound.

The food processing industry is another important rice customer. The shelf prices of these products will reflect the price increase in proportion to the use of rice.

The large young family units are the most directly affected domestic consumer.

We greatly fear the shift from rice to other less expensive ingredients further increasing the price to be borne by the direct food use customer.

It can be demonstrated that the proposed certification program will lead to a direct food price increase domestically of 4 to 6 cents per pound at the consumer level upon the start of the program.

The present national retail price, approximately 18 cents per pound, with an immediate increase of 4 to 6 cents per pound, shows a percentage increase of 26 percent.

The present domestic consumption, 38 percent of total consumption, is 18,782,000 hundredweight. Of this, 66.7 percent goes into direct use, or 12 million hundredweights are consumed in direct table use.

There was recently a survey conducted by Higginbotham Associates, of Houston, Tex. The complete tabulation of the survey is included in the back of the brochure. We have pulled out some of the tables to illustrate several of our points.

Table 2 of this report shows the expressed change in the frequency of serving rice as the result of the 4 to 6 cents price increase. I would like to point out that in a small regional survey we could not project it nationally, but we do feel that it shows some trends and allows us to make some probable indications of what could happen. As a result of table No. 2 we found among people who serve rice four or more times a week, or who did prior to a price increase of 4 to 6 cents a pound, that 55 percent said that they would continue at this rate, but 45 percent planned to reduce their frequency of the serving of rice to only two or three times per week.

Based on table 2 of the recent consumer study by Higginbotham Associates, in their May 1965 report, a study of consumer attitude in terms of expected reaction to a proposed increase in the price of rice, it can be demonstrated that moderate to heavy rice consumers will decrease their frequency of serving by 2.69 to 7.01 servings per month or 35 to 40 percent.

While it is not possible to accurately predict what will happen nationally to high, moderate, and low frequency users based on a limited sample in one region, the results of this survey are sufficiently valid to be indicative of the probable effect and cause a little alarm.

Extrapolations of the results indicate a decrease of direct consumption from 12 million hundredweight to 7,500,000 hundredweight per year.

However, because of the program burden to be carried by the domestic direct food base, thus the price increase should escalate to the following: We feel here again that we are illustrating, where we are talking of a program that should increase the domestic price of rice from 4 to 6 cents a pound, that as we escalate these for the loss in the direct food distribution, this then becomes 6.4 to 9.6 cents per pound. A 6.4 to 9.6 cent per pound projected increase results. Obviously, this would cause a further decline in domestic consumption as is evidenced from table 1; namely, only 25 percent of the consumers had no purchase intent change with respect to an increase price of over 8 cents a pound.

Hence, the price increase will have effectively decreased the domestic base which was supposed to carry the certificate program cost.

In conclusion, this association is convinced that such an increase in the price of rice will result in substantial reduction of domestic consumption of rice, particularly in predominate parts of the rice market, such as low-income consumers, the cereal, soup, and canning industries and the brewery trade. These users of rice, making up over 75 percent of the domestic market, are particularly sensitive to price relations between rice and other commodities.

I thank you for allowing us to present these comments.

Mr. JONES of Missouri. Thank you for your presentation, Mr. Goff. We will be glad to consider the tables in connection with our consideration of the bill. And these tables, together with your complete presentation, will be made a part of the record at this point.

(The document referred to follows:)

STATEMENT OF ROBERT B. GOFF, ON BEHALF OF RICE MILLERS' ASSOCIATION

Mr. Chairman and members of the Subcommittee on Rice, my name is Robert B. Goff, of Houston, Tex., and I appear before you today on behalf of the membership of the Rice Millers' Association. The report that I will present has been compiled from data obtained from the USDA, the Rice Millers' Association, the Rice Council for Market Development, J. Walter Thompson Co., and other sources. I am a vice president of River Brand Rice Mills, Inc., and a director of the Rice Council for Market Development.

I have been asked by the membership of the Rice Millers' Association to point out to you some of the possible and probable effects of the proposed legislation in title III of the H.R. 7097 on the domestic distribution of rice. We greatly appreciate the opportunity of appearing before you to express these views.

Where does the U.S. rice crop go?

	Percent
Export and aid program-----	¹ 62
Domestic consumption (excluding Government)-----	¹ 38

¹ Percent of physical tonnage.

Domestic purchases, 38 percent base

	Percent
Consumed in direct (table) food use-----	¹ 66.7
Brewing industry-----	¹ 18.9
Baby foods, package cereals, other food processing, soups, etc-----	¹ 14.4
38 percent domestic market-----	100.0

¹ Percent of physical tonnage.

Source: "Distribution Patterns of Rice in the United States," U.S. Department of Agriculture, Economic Research Service, Marketing Economics Division—ERS-186, p. 11.

CHARACTERISTICS OF THE DIRECT (TABLE) CONSUMER

I. Rice is primarily a low-income-family item

Forty-nine percent of the frequent or heavy users were in the lower income group at the time of the 1950 report. That meant that family income was less than \$2,240 annually—this group made up less than 25 percent of the population.¹

In a three-city study published in 1960, conducted under the auspices of the Research Bureau of the University of Texas by Prof. P. M. Pratt, it was learned that the consumption varied with income as follows:

Annual consumption

Income groups: ¹	Pounds per capita
Low income-----	11.6
Medium income-----	6.7
High income-----	6.5

¹ Low, \$3,000 per year and under; medium, \$3,000 to \$8,000 per year; high, \$8,000 per year and over.

II. Rice is primarily consumed by large family units

Households with five or more persons are 19 percent above the average in presence of heavy users.²

Households with five or more are also the lowest group in incidence of nonusers or infrequent users of rice.¹

III. Rice consumption is especially high among Negroes, Puerto Ricans, Orientals, and other nonwhites

A. Nationally the consumption by Negroes is at least 50 percent above the U.S. average, again showing the characteristic of rice as a staple for the low-income consumer.²

See footnotes to text at end of article, p. 199.

B. In the three-market domestic consumption study published³ by the University of Texas, the absolute consumption rates by nonwhites (Negroes) and whites were as follows:

	<i>Pounds per capita</i>
Atlanta:	
Negro-----	21.5
White-----	6.7
Dallas:	
Negro-----	14.2
White-----	5.4
Denver:	
Negro-----	14.3
White-----	4.0

C. Among Puerto Ricans and Hawaiians, the very high per capita consumption is also demonstrated:⁴

	<i>Pounds per capita</i>
Puerto Rico, 1961-62-----	124.8
Hawaii, 1956-57-----	97.1
Virgin Islands, 1956-57-----	63.3

IV. Rice consumption is highest in high density urban areas.

Index of consumption² in Metropolitan New York is 26 percent higher than the rest of the United States. The larger the metro area, the higher the consumption of rice. Disproportionately high concentration of moderate to heavy users are also found in Los Angeles, San Francisco, New Orleans, Philadelphia, Memphis, Atlanta, and Miami.

V. Consumption is not uniform by region

Within the continental United States, the following five States accounted for over half of the rice bought for direct food consumption: California, New York, Louisiana, Texas, Hawaii.

If domestic direct food use were not to decrease—which is not likely as we will show shortly—the burden of the certificate cost must be absorbed by:

Low-income consumers.

Negroes, Puerto Ricans, orientals and other nonwhites.

Heavy urban areas.

The large family unit.

CHARACTERISTICS OF INDUSTRIAL CONSUMPTION

[38 percent base]

	<i>Percent</i>
Direct food use-----	66.7
Brewing-----	18.9

I. Brewing industry

As an industrial application consider the market for brewers rice.

Total consumption by brewers is 18.9 percent of domestic production.⁴ This has been a declining market in recent years.

The price of brewers rice—presently and historically—has been higher than the price of corn grits, the primary competitive item.

If brewers rice could not absorb the price increase, this increase would have to be passed to the domestic direct food user, at about 3 million hundredweight per annum. Presently in brewers rice this would further increase the price rise in table rice from 4 to 6 cents per pound to about 5 to 7 cents per pound.

II. Food processing industry

[38 percent base]

	<i>Percent</i>
Direct food use-----	66.7
Brewing-----	18.9
Food processing-----	14.4

See footnotes to text at end of article, p. 199.

The food processing market is another important rice customer.
Baby food, soup, and cereal :

Shelf prices of these products will reflect the price increase in proportion to use of rice.

The large young family units are the most directly affected domestic consumer.

[We greatly fear the shift from rice to other less expensive ingredients further increasing the price to be borne by the direct food use consumer.

PROJECTED DIRECT (TABLE) CONSUMPTION

It can be demonstrated that the proposed certification program will lead to a direct (table) food price increase domestically of 4 to 6 cents per pound at the consumer level upon the start of the program.

Present national retail price equals approximately 18 cents per pound.

Immediate increase, 4 to 6 cents per pound.

Percentage increase, 28 percent.

Present domestic consumption, 38 percent of total consumption, is 18,782,000 hundredweight.

Sixty-six and seven-tenths percent goes into direct (table) use or 12 million hundredweight are consumed in direct table use.

TABLE 2.—*Expected change in frequency of serving rice as a result of a 4- to 6-cent price increase*

Column code	A 4- to 6-cent price increase will cause rice users to begin serving rice this often.	Among groups of rice users who prior to price increase served rice this often ¹						
		A	B	C	D	E	F	Total
		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
A-----	4 or more times a week-----	55						6
B-----	2 to 3 times a week-----	45	54					19
C-----	1 time a week-----		34	49				23
D-----	2 to 3 times a month-----		6	36	69			25
E-----	1 time a month-----			2	14	44		9
F-----	Less often than once a month-----				3	30	3	6
	Stop serving rice-----		2		3	13		3
	Don't know, not reported-----		4	13	11	13	1	9
	Total-----	100	100	100	100	100	4	100
	Base: (Rice users)-----	(20)	(47)	(52)	(35)	(23)	(4)	(181)

¹ See column code.

NOTE.—This table reads: Among those who served rice 4 or more times a week prior to the price increase, 55 percent plan to continue serving it 4 or more times a week and 45 percent plan to reduce their frequency of serving rice to only 2 or 3 times a week. Mean present frequency, 7.01 servings per month. Mean projected frequency 4.32 servings per month. Mean frequency would change from 7.01 to 4.32 or -2.69 servings per month, a 38 percent decrease.

Based on table 2 of the recent consumer study (Higginbotham Associates' May 1965 Report, A Study of Consumer Attitude in Terms of Expected Reaction to a Proposed Increase in the Price of Rice), it can be demonstrated that moderate to heavy rice consumers will decrease their frequency of serving by 2.69 per 7.01 servings per month or 35 to 40 percent.

While it is not possible to accurately predict what will happen nationally to high-, moderate-, and low-frequency users based on a limited sample in one region, the results of this survey are sufficiently valid to be indicative of the probable effect and cause little alarm.

Extrapolations of the results indicate a decrease of direct consumption from 12 million hundredweight to (100—37.5 percent) by 12 million or 7,500,000 hundredweight per year.

However, because of the program burden to be carried by the domestic direct food base, thus the price increase should escalate to :

$$\frac{12 \times 10^6}{7.5 \times 10^6}$$

(4 to 6 cents per pound) = 6.4 to 9.6 cents per pound

See footnotes to text at end of article, p. 199.

A 6.4 to 9.6 cents per pound projected increase results. Obviously this would cause a further decline in domestic consumption as is evident from table 1, viz., only 25 percent of consumers had no purchase intent change with respect to an increase of price of over 8 cents per pound.

Hence the price increase will have effectively decreased the domestic base which was supposed to carry the certificate program cost.

TABLE 1.—Attitudes of rice buyers toward increases in the price of rice

Expected reaction of average rice buyers	When the price of rice is increased—	
	4 to 6 cents per pound	8 to 12 cents per pound
	<i>Percent</i>	<i>Percent</i>
No change in buying habits.....	53	25
Use less rice; buy less often; serve less often.....	23	42
Serve substitute foods more often; i.e., potatoes.....	12	
Stop buying rice altogether.....	5	9
Depends on income/budget for food.....	3	
Buy/look for a less expensive brand of rice.....	2	
Switch to substitute foods; i.e., potatoes.....		9
Depends on price of rice compared to substitute foods.....		9
No change among light users; heavy users reduce consumption.....		3
Other miscellaneous reasons.....	4	2
Don't know; not reported.....	6	9
	¹ 108	¹ 108
Base: (rice buyers).....	(181)	(181)

¹ Totals to more than 100 percent due to multiple answers.

CONCLUSION

In conclusion, this association is convinced that such an increase in the price of rice will result in substantial reduction of domestic consumption of rice, particularly in predominant parts of the rice market, such as low-income consumers, the cereal, soup, and canning industries, and the brewery trade. These users of rice, making up over 75 percent of the domestic market, are particularly sensitive to price relationships between rice and other commodities.

¹ Agricultural Information Bulletin No. 15, U.S. Department of Agriculture, Bureau of Agricultural Economics, Washington, D.C., July 1950.

² "Analyses of Rice Consumption, 1964," J. Walter Thompson, Research Department, Rice Council of Market Development.

³ "Rice, Domestic Consumption in the United States," Pratt, P. M., Bureau of Business Research, University of Texas, 1960.

⁴ "Distribution Patterns of Rice in the United States," USDA-ERS, Marketing Economics Division, ERS-186, July 1964.

Mr. JONES of Missouri. Whom would you like to have next?

Mr. BROUSSARD. I would now like to present Mr. Robert B. Holland, who will discuss the alternative methods which might be taken to achieve the objectives of the proposed legislation.

Mr. JONES of Missouri. We will be glad to hear you.

STATEMENT OF ROBERT B. HOLLAND, JR., PRESIDENT, COMET RICE MILLS, INC.

Mr. HOLLAND. Mr. Chairman and members of the Subcommittee on Rice, as a way of introduction, I am Robert B. Holland, Jr., president of Comet Rice Mills, Inc. Comet Rice has processing plants in Bay City, Beaumont, and Houston, Tex., and Harrisburg, Paragould, and Stuttgart, Ark. Comet Rice is considered to be one of the largest processors of rice in the Southern United States. Comet merchandises

its products both in the continental United States and in oversea markets. We have invested considerable time, money, and energies in the promotion and merchandising of rice, both here and abroad, for many years.

I am vitally concerned with the proposed legislation and am convinced that other alternative methods or approaches can be taken that will achieve the objectives of the proposed legislation.

I think that it would be helpful to review the results that have been achieved in the domestic market since the Rice Council has been formed. The Rice Council is the industrywide organization responsible for advertising and promoting rice. The council was formed in 1957 and a study has been made that shows that in contrast to the downward consumption trends in many of the other so-called carbohydrate group foods, rice consumption has been increasing steadily since then. The per capita consumption has increased by almost 2 pounds since 1959 and now stands at over 7 pounds. Although 37 States consume less than 7 pounds per person average, the trend in these States is also upward. During a 5-year period—1957 to 1963—distribution of rice to these low-consuming States increased 23 per cent.

These fine results were not achieved by the Rice Council alone, of course, but through cooperation of all segments of the American food marketing organizations.

I am convinced that continued and strengthened efforts by the domestic marketers in cooperation with the Rice Council will in the future achieve similar results and reduce materially the costs of our present rice program.

The next area of rice marketing I would like to review is the dollar export markets. In the crop year 1957-58, the United States exported 5,900,000 hundredweights of rice for dollars. In the crop year 1963-64, the United States exported 16,800,000 hundredweights of rice for dollars; an increase of 285 percent. This increase is remarkable and is a tribute to quality products that the industry ships and the aggressive marketing done by many firms. The United States exports to over 100 countries and is the quality leader.

I do not feel that we have achieved our limits and will continue to grow in the future. It would be of material assistance if the Government, in its determination of its export equalization payments, would get our markets more competitive than has been the case in the past. Government policy has been to be tightfisted on export payments. This is not a wise policy, as a more liberal payment would enable us to sell more products for dollars, thus reducing the amount available for programing under the Public Law 480 programs, hence reducing the costs to our Government. It cost the Government, by their accounting methods, over \$8 per hundredweight to ship rice under Public Law 480, but only \$2 per hundredweight to ship rice for dollars. Anything that would stimulate dollar exports would have a sharp effect on the cost of the export program.

There is an ever-growing demand for rice worldwide, because of population explosion, and the United States should continue to play a prominent role.

The next area that I would like to review is the part that research and development has played in our past success. The research and

development work that has been done by industry and Government has brought to the consuming public both better products and lower costs. I would like to project what it will be in the future as far as accomplishing a reduced overall cost to our Government. It is sometimes easy to accept the tremendous strides in farming, processing, and product development without looking to the forces of work that have brought them about.

Research and development has enabled the American rice farmer to produce new, high-quality varieties that have met excellent world-wide acceptance. Research and development has enabled processors to change to meet market needs and to satisfy these needs with higher quality products at practical workable prices.

This research and development has been conducted by both private and public groups.

I am convinced that in the future new varieties, processes, and products will be developed that will satisfy the consuming public even more fully than in the past. This, again, will result in a lowering of governmental rice costs.

Ricegrowers have indicated an additional way to cut the costs of the rice program. That is by reducing the support level of rice. This reduction would have an unfortunate effect on grower income, but this might be offset somewhat by favorable market effects. It would make rice more favorably priced to the table-rice user, thus enabling their purchasing power to be stretched further. The reduced price would stimulate processors to further their research and market development work on rice. It would lower the export equalization payments for rice moving in export markets.

In summary, I would like to repeat the various alternative ways that rice costs can be reduced to the Government:

- (1) Further encouragement of the domestic marketing forces, such as the Rice Council, to expand the domestic usage.
- (2) Stimulate more dollar export sales by putting into effect more favorable export equalization payments.
- (3) Expand research and market development work.
- (4) Take other administrative action under present legislation

There are probably other alternative methods, and I would recommend that these suggestions, plus the others that have been suggested, be referred to the Food and Fiber Council that President Johnson has recommended be established for their expert evaluation and subsequent recommendations.

I thank you.

Mr. JONES of Missouri. Mr. Holland, I think that you have brought out some very excellent suggestions here for the Department. As was indicated yesterday and the day before, I hope there will be an opportunity for the representatives of the industry to discuss this subject with the Department of Agriculture, to see if we cannot bring about a favorable consideration of some of these alternative suggestions you have made. I am particularly interested in your setting out the benefits that might be gained by a subsidy for the sale of rice for dollars. That is a thing that we are all interested in doing. And while Public Law 480 has been effective in moving a lot of rice we, probably, have not been getting the dollars that are available in some other markets. I think that they could be increased.

I am also pleased to note that your industry, at least part of it, seems to be agreeable, at least, to accepting the lowest support price in order to stimulate sales domestically and, also, to have a similar effect on the foreign markets.

Does any other member have any comment at this time?

Mr. GATHINGS. I would like to hear all of the witnesses first.

Mr. JONES of Missouri. Do you have any comments?

Mr. STALBAUM. Is the Government now contributing any money to the Rice Council?

Mr. HOLLAND. As I understand it, only in the export area.

Mr. STALBAUM. Not domestically?

Mr. HOLLAND. Not to the domestic part, that is my understanding.

Mr. STALBAUM. Theirs would be moral encouragement?

Mr. HOLLAND. Yes.

Mr. STALBAUM. Thank you. That is all.

Mr. JONES of Missouri. Who do you have next?

Mr. BROUSSARD. Continuing our presentation, Mr. Chairman, next is Mr. Gordon E. Dore, vice president of the Supreme Rice Mill, Inc., of Crowley, La., who is going to discuss the difficulties that will be encountered in policing this proposed legislation—policing it among the processors.

Mr. JONES of Missouri. We will be glad to hear from you now, Mr. Dore.

STATEMENT OF GORDON E. DORE, VICE PRESIDENT, THE SUPREME RICE MILL, INC., CROWLEY, LA., ALSO A MEMBER OF THE BOARD OF DIRECTORS OF THE RICE MILLERS' ASSOCIATION

Mr. DORE. Mr. Chairman and members of the subcommittee, my name is Gordon E. Dore; I am vice president of the Supreme Rice Mill, Inc., Crowley, La., and a member of the board of directors of the Rice Millers' Association. I am also a member of the National Rice Advisory Committee that was appointed by the Secretary of Agriculture. I appreciate the opportunity of appearing here today.

Enforcement of a certificate program such as that proposed under H.R. 7097 is impossible. I do not, by way of this statement, intend to condemn the American rice-milling industry; but it is a known fact that rice milling is a small-profit industry. When we consider a program that necessitates the purchase of domestic certificates, which represent a figure equal to approximately 80 percent of the inventory value of the basic product, we all know that we are inviting unscrupulous individuals to conceive ways and means of adjusting inventories in order to escape the payment of certificates for rice that will move into the domestic market.

Under the proposed bill, "prior to marketing any processed rice or remove processed rice for sale or consumption," a miller must purchase certificates valued at approximately \$2.90 per hundredweight. It is practically impossible to determine how much rice has been processed.

It is a common practice for a mill to acquire a rough rice inventory by purchasing from the producer what is known as "green rice." This term is used to describe rice which has been combined only, and delivered by the farmer to the elevator. This rice must be dried and cleaned as a prerequisite of further storage and milling. Some green rice is

delivered with 23 percent moisture and some with 16 percent moisture, depending on weather conditions, type and variety of rice and, in many cases, the farmer's position with reference to the remainder of his crop to be harvested. Because of moisture content and type of harvesting equipment, each lot of rice will contain different amounts of straw and other foreign materials which must be removed prior to drying and milling. This, plus the fact that some mills dry their rice to as low as 12 percent and some only to 14 percent moisture, makes it very complicated to prove an inventory from green-rice receipts. With just minor adjustments for loss in drying and cleaning, a miller could manipulate his green-rice inventory by 3 or 4 percent. The possibility of verifying an inventory from milled rice out-turn is just as complicated. No two lots of rice are milled alike. Some rice is solid as well milled, some as loose milled, and large quantities as brown rice. In each case the out-turn of both head rice and total out-turn is decreased as the degree of milling is increased. Again, a 3- to 5-percent manipulation is not too hard to conceive.

Let's take a specific example: Mill X receives 600,000 hundredweights of green rice (this would be classified as a small operation), actual loss for drying and cleaning is 12 percent, but records are adjusted to show a total loss of 15 percent. This is a small differential of only 3 percent, but equal to 18,000 hundredweights valued at \$2.90 per hundredweight for a total of \$52,200. When this rice is milled, figures are again adjusted to show a milling yield of 87 pounds of head rice when the actual out-turn money involved because of these manipulations will exceed \$100,000, which is a sum much larger than the normal profits derived from this size milling operation.

So far, I have attempted to show how individuals could intentionally adjust their inventory in an effort to gain some stocks of rough rice which could be sold free of certificate cost. The idea of enforcement is further complicated in that it is impossible to establish an average in order to determine conversion factors. I say that this is impossible for these reasons: (1) No two mills acquire their inventory in a like manner. Some mills purchase large quantities of green rice, while other mills build their inventories by purchasing dry rice (a term used to describe rice which has been dried and is ready for milling) from commercial driers and from on-the-farm storage. These driers follow their own procedure in drying; and the finished product will vary from one drier to another, depending on the amount of moisture removed, the manner in which the moisture was removed, and the degree of cleaning that has been accomplished. (2) No two lots of rice are processed alike by different rice mills. Some mills practice different methods of milling and make different separations of the grain, depending on their individual sales potential. Because of all the variables which are involved, it is not practical to think that an average could be determined and made to apply against all rice mills and on all lots of rice they process.

The only way this program can be policed is to have a Government inspector placed at every elevator to verify the scale count, verify each dry lot as to degree of moisture removed and verify the loss from cleaning. Then each lot of rice must be followed through the entire milling process and verified as to the type of milling applied, type of separation made, and final out-turn figures which are derived from automatic scale counts. We all know that this is impossible.

Of course, the majority of our industry is honest and beyond reproach, and this also holds true for the majority of buyers of milled rice. However, experience in other Government programs has taught us that dishonest acts such as I have mentioned do and will exist. Under other programs, we have seen the violators go free and reap a windfall while the honest miller has seen his markets gutted and his profits depleted.

Over the years, our present program has been modified, amended, and strengthened in an effort to guarantee all segments of the rice industry an opportunity of competing on the same and equal basis. The present program has proved over and over again that, as an industry working and cooperating with Government, we can and will market our product on a competitive basis under a system of free enterprise.

Not only for the reason of enforcement, which I have attempted to cover, but for all of the other reasons which have been brought to your attention, I trust that this committee, in all its wisdom, will see fit to eliminate title III of H.R. 7079 and allow the American rice industry the opportunity of continuing to labor within the framework of our current program in an effort to serve not only the people of our own great nation, but the starving masses of the world.

I thank you.

Mr. JONES of Missouri. Thank you, Mr. Dore. I think that we have all had a lesson in some of the mechanics of the problem that revolve around this problem. And, outside of Mr. Gathings here, who is one of your best missionaries, we have no one else who is as much an advocate of the eating of rice. He not only eats rice, but is always encouraging others to do so, too. He ought to be on your payroll, because he has been one of your best boosters.

Mr. GAINES. He is on our payroll, Mr. Chairman. [Laughter.]

Mr. JONES of Missouri. He earns his money.

Mr. GATHINGS. I like good rice, I will tell you that.

Mr. JONES of Missouri. Who is next, Mr. Broussard?

Mr. BROUSSARD. The concluding part of our presentation will be handled by J. P. Gaines, executive vice president of the Rice Millers' Association.

Mr. JONES of Missouri. We will be glad to hear you now.

STATEMENT OF J. P. GAINES, EXECUTIVE VICE PRESIDENT, THE RICE MILLERS' ASSOCIATION, WASHINGTON, D.C.

Mr. GAINES. Chairman Jones, Congressman Gathings, and members of the Subcommittee on Rice, May name is J. P. Gaines. I am executive vice president of the Rice Millers' Association, a nonprofit trade organization of the Nation's rice-milling industry. Headquarters of the association are in Washington, D.C., and branch offices are maintained in Brussels, Belgium, and San Juan, P.R.

The Rice Millers' Association was organized in 1899 and is one of the oldest agricultural trade organizations in the United States. It is composed of 36 milling firms which process 98 percent of all rice produced in the Southern United States. The association's members include both independent rice mills and farmer cooperative organizations.

Members of the association package and distribute over 90 percent of the popular brands of rice on the retail shelves in the continental United States.

As stated by our president and other representatives, the Rice Millers' Association is opposed to the legislation for rice that is embodied in title III of H.R. 7097, the farm bill, and asks that it be eliminated from the bill.

This association is convinced that the rice-certificate legislation which is proposed under title III is detrimental to the long-term health and welfare of the rice industry. This legislation would, in essence, ask the rice industry to turn its back on its domestic market.

In the period during and following World War II, and through the Korean war in early 1950, the rice industry was encouraged to expand production to supply strategic needs. At this time, we turned our back on the domestic market. We neglected it.

Under incentives provided, rice production increased rapidly, going from 24 million hundredweight on 1 million acres in 1940, up to 64 million hundredweight production on 2½ million acres in 1945.

At this stage, political stability developed in the international field, and this, together with increases in rice production abroad, produced a situation where there was no further need for rice to supply U.S. strategic needs; so, in 1954, a surplus of rice developed in this country.

The immediate response to this surplus was to slash rice acreage drastically. In 1955, acreage allotments were cut 25 percent. In 1956, allotments were cut another 15 percent, making a total of 40 percent reduction in 2 years.

I am telling you that this was rough. These drastic slashes gravely hurt many in the rice industry, growers and millers alike. No other commodity was subjected to this kind of treatment, although some commodities were in graver surplus situations than the rice industry. It resulted in some 12 rice mills going out of business, and all rice mills suffering severely.

It taught the rice industry a lesson. In desperation for markets for our product, the southern rice industry in the 1950's started organizing for development of the domestic market. These efforts started on a small and disorganized basis, but, by the end of the decade, the efforts were consolidated and were large scale. We now have a domestic promotion effort second to none, voluntarily supported by virtually all producers and millers in the Southern States, and it is getting good results. Industry figures indicate our domestic market is growing at the rate of 5 percent per year. According to a survey made in 1962 by the U.S. Department of Agriculture, the domestic market, through the 5 years from 1957 to 1962, expanded from 5.8 pounds to 7 pounds per capita, a 26 percent increase. During this time, domestic consumption of other cereal products was declining.

In addition to the industrywide program of domestic promotion, advertising, product standardization, recipe developments, et cetera increased attention is being devoted to research and development on new rice products, as you will note by visiting your local supermarket.

In this same sense of desperation during the mid-1950's, the industry and the Government cast about for ways to develop dollar export markets for rice. There were experiments in various plans,

and eventually the highly successful payment-in-kind export program was applied to rice.

This program was instituted at about the time Castro came to power in Cuba, and robbed us of our only cash export market. We started from virtually nothing in the way of cash-dollar export business, but, through aggressive merchandising by our rice mills and exporters, we have built, since 1959, a cash export market for rice that now stands at 21 million hundredweight annually in terms of rough rice, representing 30 percent of our total production, or the equivalent of 512,000 acres of rice.

Our southern rice millers and exporters have gone to every nook and cranny of the world, and we are now selling our rice in various amounts to over 100 countries. Rice exports are now earning over \$100,000 annually in hard cash dollars for the United States.

This buildup of commercial domestic and export market for rice over the past 5 years represents a great success story, with credit shared by the rice growers, rice millers, rice exporters, the Congress, and the Government.

This great success is developing hard-dollar business, both domestic and export, make it possible and desirable for the Department of Agriculture to raise rice acreage in 1962 by 10 percent, to insure sufficient rice to enable continued growth of our commercial market and, at the same time, provide rice for governmental needs under Public Law 480.

Even with this increase in the acreage allotment and increases in production, the shipment of rice under Public Law 480 has been steadily declining the past 3 rice-market years. Here are the figures on rice production in the United States and shipments under Public Law 480 for the past 3 years:

Year	Production, rough rice	Public Law 480 shipments, milled rice, hundredweight
1962-63	66, 072, 000	13, 761, 466
1963-64	70, 296, 000	13, 754, 238
1964-65	73, 140, 000	¹ 12, 800, 000

¹ Estimated.

You will note that these figures show that through the increase in acreage and our increase in years we are having a rather steady expansion in production, but this is being accompanied by a reduction in the movement for food for peace and there is no buildup of our inventories, so that this means that we are making rapid increases in our commercial cash dollar production for our product, both domestically and abroad. With the drop in movement of rice under Public Law 480, funds used in Public Law 480 rice programs have declined. Thus we find in the rice industry the following trends: rapidly increasing commercial sales; reducing Public Law 480 programing; accelerating domestic and export promotion; and a smoothly operating Government program, being efficiently administered by the U.S. Department of Agriculture.

As a wrap-up speaker for my association—and I guess in a sense for the industry, because I suppose that I am the last witness—that

it would be very pertinent to this hearing to reexamine some of the premises that this program is based upon which has been presented, because I think that it is possible that you have not heard enough information to make such a reexamination.

In examining and considering the proposed rice certificate legislation, it is important that the committee understand thoroughly the premises upon which it is based and determine whether these premises are realistic.

Let us take a look at the major ones:

(1) We are told it will maintain farm income. However, according to the print I have read, the Secretary would be given permission to reduce support prices to zero and to cut acreage allotments by over 20 percent of the current level. Are such provisions in keeping with a goal of maintaining farm income?

(2) We are told that the domestic market will not be affected; that it will be maintained and in fact, will start increasing again after a couple of years.

However, every user and distributor of rice appearing before this committee, express the fear or conviction that this legislation will sharply reduce the domestic market for rice. For the brewer users, the baby food manufacturers, the cereal processors, and the canners, rice is not a low-cost food. In most cases, the use of rice is a marginal one for these people, who represent 33 percent of our domestic market.

You have also been told how this legislation will have a special impact on the large table users of rice, such as the folks in Puerto Rico and Hawaii. I would like to add that the impact would be just as severe in certain States on the continent, such as Louisiana and South Carolina, large rice consumers, which each would have to bear, nearly 10 percent of the cost of this program. In fact, the States of the Southeastern United States, mostly low-income consumers, would bear over 40 percent of the total cost of the certificate plan.

You have also been presented statistics which show that this plan could have a severe impact on consumption of rice by people of the low-income bracket. It is estimated by some economists that the low-income consumer, who makes up over one-half of our domestic market, will reduce consumption as much as 33 percent if the price of rice is raised as much as 6 cents per pound.

It is apparent that the premise that this legislation will not cut our domestic market is subject to considerable question. Adding up all the information available, it appears the domestic market for rice could be cut 3 to 5 million hundredweight or maybe even more, or 15 to 25 percent, by title III.

(3) This legislation is also based on the premise that it will cut the cost of the rice program to the Federal Treasury. There has been a lot of talk at these hearings about the savings to the Federal Treasury that will come from a rice certificate program.

Several figures have been mentioned. A figure of \$50 million seems to have been fixed in some people's minds. This is a vast overestimate. I want to take you through a simple analysis of costs. I might say under the certificates—the Department of Agriculture has indicated an intention to support rice at \$3.60 per hundredweight under a certificate program. The support price this year is \$4.50 per hundredweight, therefore, the saving to the Federal Treasury will amount to

the difference between \$4.50 support price this year and \$3.60, or 90 cents per hundredweight, on all rice exported.

The Department estimates production under the certificate program at 73 million hundredweight with the domestic market taking 29 million hundredweight, leaving 44 million hundredweight for export—assuming no buildup of materials—thus the maximum Treasury savings would amount to 44 million hundredweight times 90 cents per hundredweight or \$39 million, but the analysis cannot stop here. The administration proposes to provide a supplemental income on the first 1,500 hundredweights of a farmer's production (this is a small farm provision), and this supplement would not be offset by any increase in value of the domestic allotment certificate, since the analysis assumes these certificates will be valued at 100 percent of parity, the maximum in title III.

I understand these supplemental certificates will cost the Treasury an additional \$9 million, thus this cuts the possible savings to \$30 million. But if we do suffer severe reduction of our domestic market (which all of us think we will have) what will we do with this rice we can't sell on the domestic market? There is nothing to lead us to believe it will be remotely possible to sell another 3 to 5 million hundredweight of rice for cash dollars.

Let me add here that I am sure that we will continue to increase our cash dollar export market, but in the past the increases in our cash dollar export market and in our domestic market have just slightly offset the increases in yield, so that I think that we can continue to expect cash dollars to offset the other, but if we are having this impact on the domestic market it cannot offset that, true, so what will happen?

The only alternative would be to cut acreage or to increase Public Law 480 programing. You would have to have an acreage cut or to move it under the food-for-peace program. But if we have another 3 to 5 million hundredweight go into Public Law 480, it would add \$18 to \$30 million of Federal Treasury costs. This could completely nullify all reductions in costs for the Federal Treasury, of the certificate program. In my opinion, this is the likely outcome of a certificate program for rice. Savings to the Federal Treasury would be virtually nil when all factors, including increased administrative costs, become apparent. This is a most important point, and I hope that you will look at it as a matter of course and a possible savings, because I think it is really the key to all of your thinking. Everybody is looking for one thing, and one thing only, and that is the success or the failure of this. I do not believe that this program will do this.

While on the subject of cost, we are told that the rice program costs $2\frac{1}{2}$ times as much per acre as the wheat program. However, we produce three times as much per acre of rice as is produced on wheat, and on a per unit basis, the rice program is less costly than the wheat program. Are we to be penalized for our efficiency in production, and be required to adjust costs of the rice program so that it is in keeping with acreage cost of crops that are less efficiently produced? I understand it costs General Motors more per hour to produce Chevrolets than to produce Cadillacs. However, far more Chevrolets are produced, so the per unit cost is lower. As a buyer of cars, we are concerned about per unit cost and not per hour cost.

Seemingly, taxpayers and the Budget Bureau should be as interested in per unit efficiency as in per acre or per farm statistics.

Moreover, in examining the cost of the rice program, keep in mind that 70 percent of the cost figures provided by the Department of Agriculture are for Public Law 480.

Here again we have to question the Department's arithmetic. As has been pointed out, movement under Public Law 480 is charged off at a 100-percent loss.

It is our understanding, however, that in 1963-64, there was a recovery under the rice agreements of 15 to 20 percent of cost. Moreover, this recovery has increased as a result of new provisions placed in Public Law 480 by the Congress.

It should be further pointed out that rice provides a great strategic and public service to the United States in the food-for-peace program. Take a look at all of the restless spots of the world and what you find as a major staple in their diet. Rice, of course. I mean places like Dominican Republic, Cuba, the Congo, and South Vietnam.

I think that the Budget Bureau would also be interested in the per unit efficiency, unit of efficiency, and appraisalment of our cost of the farm program. I think that our unit of efficiency would stand up with that of any commodity. We could question some of the arithmetic that has been done by some people. We have pointed out that Public Law 480 is charged off at a 100-percent loss. It has increased to a high rate because of provisions that you have placed in Public Law 480 just this past year.

You also recall the food riots in India the past few months; and what were the people rioting for? Rice, of course. We don't have enough rice to begin to supply the clamor for rice in any of these places. You won't have much difficulty in getting anybody in our State Department to acknowledge great strategic service which rice provides to this country in the general foreign relations program. The cost of the rice program is in reality a part of the cost of the food-for-peace program, and should be so recognized.

In closing, let us remind you that we have a healthy industry and a smoothly working rice program. Don't exchange this program and jeopardize this healthy situation with a new theory that is fraught with danger.

Thank you for your kind attention.

Mr. JONES of Missouri. Thank you, Mr. Gaines.

Mr. Broussard, I think that your association has made a very fine presentation in the way that you have had the different officers present different subjects and without repetition. I think it has been most impressive. I think that you have made a valuable contribution to this hearing. I think that you are winding up the hearings here today, and I think that is very fitting.

Mr. Gathings, do you have any questions?

Mr. GATHINGS. I would like to commend Mr. Gaines, the executive vice president of the Rice Millers Association, who is in the Washington office here, for the splendid work that he has been doing over the years. I appreciate very much Mr. Gaines bringing to us this very fine testimony, and all of these other statements this morning. He has given some valuable information to us.

In the first place, you are increasing your dollar sales in export channels. That information is very impressive. That is very fine, and a credit to your organization. It is the type of thing that is so badly needed.

I appreciate Mr. Gaines bringing out the matter of the crop, in analyzing the crop situation so well.

On page 6 of his statement, at the bottom of the page, he discusses that situation, showing that in the matter of the support price this has been so much per hundredweight, with 44 million hundredweights for export with \$39 million in savings.

What do you estimate, Mr. Gaines, would be the savings, the overall savings if title III were to be enacted into law?

Mr. GAINES. Mr. Gathings, I have some question in my mind as to whether there would be any. Maybe \$10 million or \$15 million as an outside amount. There is much question in my mind if it was adopted and applied, as has been indicated, that there would be any savings to the Federal Treasury—that there would be any. And when the full impact of this thing becomes apparent on the domestic market.

Mr. GATHINGS. There has been no breakdown placed in the record so far, as to the cost from any source. The Department did not break down its estimate of \$50 million or, as has been stated, \$40 to \$50 million savings.

Mr. GAINES. I would be very much interested in seeing how they came up with the \$50 million figure.

Mr. GATHINGS. I would, too. I really would.

I would like to ask Mr. Holland a question with regard to the increase in support. The support price was reduced in 1965 to 69 percent of parity. What do you think would be the result in moving rice—that is, would it move more rice, Mr. Holland, into export channels or will we be in a better position to move more rice into various domestic channels, into baby foods, and cereal foods and other uses? That is, as a result of the decline of the price support in 1965?

Mr. HOLLAND. Mr. Gathings, in the export area it will not result in any increase in rice movements. It will result in the lowering of Government costs—lowering the subsidy—because our domestic market will be lower, so that the difference will be between the two.

Mr. GATHINGS. How much do you estimate, Mr. Holland, that it would reduce Government costs?

Mr. HOLLAND. Do we have any figures on that? It is running about \$2 a hundredweight now.

Mr. GAINES. It would be about 30 cents on 44 million—about \$15 million.

Mr. GATHINGS. About \$15 million savings?

Mr. HOLLAND. When the new one comes in; yes.

Mr. GATHINGS. For 1965?

Mr. HOLLAND. Yes.

Mr. GAINES. This would be on the export program alone. Mr. Holland was mentioning the impact that it would have on the domestic market, too.

Mr. HOLLAND. On the domestic market it is very difficult to estimate how much it will increase the consumption. You will have in the lower income areas, of course, who are the heavy consumers, a lower cost products. We are convinced that many of these people do not eat all of the rice that they would like to eat, because of their economic limitations. And if the price is lowered, which will be when the new crop comes up, we feel that consumption in those areas will go up. It would be very interesting to see our colleagues' presentation on the cost—how big the Rice Krispy box will be next year.

Mr. GATHINGS. It is most enlightening information they brought out yesterday.

Mr. HOLLAND. I found it very interesting; yes, sir. I would think that we will compare more favorably this fall and through next spring than we have this last year, and I feel that going to the areas that rice does go to, that it will stimulate the consumption of the products. And, of course, the more that is consumed here in the United States, the less the Government is involved in, so far as crops are concerned. But I have no way of estimating. May I ask what reduction this may have in the cost to the Government—that is, domestically?

Mr. GATHINGS. You have Mr. Gaines here. You lean on him very heavily.

Mr. HOLLAND. Very heavily.

Mr. DORE. May I point out at this time in relation to the cost, when the Department, in determining the \$180 million figure, as to the cost of the rice program, since that time we have had a 4.5-percent reduction in the support price which is going to become effective in the next crop year. So I mean that any further—and we talk about a further reduction—if we do have one, we are going to realize some saving in the program already with this first 4.5-percent reduction that we are taking this year.

Mr. GATHINGS. That is the point; that is absolutely the point that we have been trying to bring out, Mr. Dore. There would not be any \$180 million cost for the overall program. There would not be savings of any \$50 million to put in the certificate plan.

Mr. Holland, is not Mr. Miller the president?

Mr. HOLLAND. He used to be. I am now the president.

Mr. GATHINGS. I see.

Mr. HOLLAND. Joe started out introducing me as a vice president, but in January I became president.

Mr. GATHINGS. I thought that Mr. Miller was still the president.

Mr. HOLLAND. No, he is not.

Mr. GATHINGS. Mr. Goff, I would like to ask you a question or two, since you are with the Rice Council.

Mr. GOFF. Yes.

Mr. GATHINGS. I wonder if you could give us some information with regard to what is being done by that organization to increase the domestic consumption of rice; would you mind giving us a rundown for the record on that?

Mr. GOFF. I would be happy to do so. The Rice Council for Market Development is comprised of all segments of the rice industry which includes the growers, the millers, and all allied industries. We collect moneys from these individuals and concerns. The moneys in turn are used in the promotion of rice in the domestic market and abroad.

We, currently have a program in the domestic market in the neighborhood of \$700,000 annually. This program has been increasing each year. This money is spent to advertise, promote, and merchandise commodity rice. Abroad, we have a market development program. We operate in numerous countries to increase and expand the use of American rice.

Mr. GATHINGS. Let us find out by starting at the beginning; find out how you gain your membership—you say that it is composed of various segments who contribute to the organization?

Mr. GOFF. Yes, sir.

Mr. GATHINGS. Now take the growers first.

Mr. GOFF. The grower contributes on each unit of rice as he sells it. He contributes on a set scale to the organization. The millers contribute on a set scale on each unit of rice that they process.

Mr. GATHINGS. I will yield to you gladly.

Mr. STALBAUM. Do the growers voluntarily pay into this?

Mr. GOFF. Yes, it is voluntary.

Mr. STALBAUM. How do you collect it—through the millers?

Mr. GOFF. The miller serves as the withholding agency.

Mr. STALBAUM. Thank you.

Mr. GATHINGS. You have, in addition, quite a number of contributors who are interested in rice by virtue of being a part of the rice community?

Mr. GOFF. Yes, sir.

Mr. GATHINGS. That is, the banking institutions and the like?

Mr. GOFF. This is correct, yes.

Mr. GATHINGS. In these areas where rice is grown—as well as where they are located?

Mr. GOFF. Yes.

Mr. GATHINGS. I would like if you would follow through and give us a little information on how you have gone about the domestic program for increasing the consumption of rice.

Mr. GOFF. Our program is broken down into several important segments, one of which is the direct consumer advertising. We advertise the rice in some of the major magazines that are distributed nationally.

It is further broken down into direct consumer marketing programs. We go into different markets, cities. And we aggressively and actively stimulate the people who can sell rice: the brokers, the buyers, or the chain organizations and the wholesalers. We have the restaurants and institutional users that we stimulate in this manner. This is advertising at the local level.

We run a test kitchen in Houston where we are constantly preparing recipes and sending these out in the form of recipe booklets, showing people ways and means of using rice.

We have two home economists who travel and speak to groups, who work with schools and other institutions in stimulating the use of rice.

We have a public relations program whereby we are constantly feeding information to all forms of media—food editors of magazines, of newspapers, television, and so forth, on recipes and ways to use rice.

Mr. GATHINGS. Thank you so much for that rundown. It is most interesting and informative.

I notice that in Brinkley, Ark., recently that there was quite a lot of package rice on the shelf there in the hotel.

Mr. GOFF. Yes.

Mr. GATHINGS. And it is all Arkansas rice. And as the tourists go through the rice is available to them for purchase. I do not know but what maybe your organization was doing something like that to increase sales.

Mr. GOFF. I think this is the work of people in the State of Arkansas. I think, in addition to Brinkley, that you will find that these displays are in Stuttgart and other places in the State.

Mr. GATHINGS. It is doing the job, too. As has been indicated here by you gentlemen, it has moved up the consumption by 1.2 pounds per

person since you started the program, since 1958 or 1959, or thereabouts.

Mr. GAINES. Yes, sir.

Mr. GOFF. Since the inception of our program, the consumption in the domestic market has shown increases. These are slow, but steady increases. And we think that if allowed to continue, why this trend will, also, continue.

Mr. GATHINGS. I would like to ask, maybe Mr. Broussard, or maybe Mr. Dore, some questions—no, I think that I had better ask the one who represents Uncle Ben's products. Does any one of you represent them?

Mr. GAINES. No; he is not here.

Mr. BROUSSARD. No.

Mr. HOLLAND. We left the competitors outside somewhere. [Laughter.]

Mr. GATHINGS. Anyhow, I will ask whether or not there has been an increase of consumption as the result of more emphasis being placed on converted rice, as well as more emphasis being placed on minute rice. Quite a lot of people have been buying minute rice, I know. I am a great hand to go to the grocery store every Saturday. That is my hobby. I spend several hours of my time every Saturday shopping. I have watched rice of all kinds for years and years. I have noticed that there is quite a lot of increase among the buyers in the Washington area of converted rice. I just wondered whether or not that acceptance has had an appreciable effect upon the increase of the domestic consumption of rice.

Mr. HOLLAND. As a competitor, I can confirm that they have done very well. They have had an impact on the domestic market. It is very pleasurable to them.

Mr. GATHINGS. I know that there have been several of the brand names that have come out with their converted rice products.

Mr. HOLLAND. Yes.

Mr. GATHINGS. I noticed, too, that Uncle Ben now has joined General Foods and has produced a minute rice.

Mr. HOLLAND. Yes.

Mr. GOFF. If I might say so, certainly all of these new products have had the impact of calling attention to the domestic consumer of the commodity, rice.

Mr. GATHINGS. My daughter likes to use minute rice, because she can get the job done speedily and get her recipe made up in a hurry.

Mr. BROUSSARD. I would like to run you a race on cooking that rice. We cook rice in our home every day. I just use the regular milled long-grain rice, and I will get my job done just as quickly as you can with minute rice. And it would not cost near as much. [Laughter.]

Mr. GATHINGS. I cook, too. I cook the long-grain rice. I cook it quite often. I had rice for breakfast Monday morning. I have rice for breakfast about two mornings a week. I like it many ways. And it is very good. Especially when you put a little of that good margarine on there. You really have a dish. [Laughter.]

That is all, Mr. Chairman.

Mr. JONES of Missouri. Mr. Walker.

Mr. WALKER. I think that the rice industry is being represented very well. I have never seen a group in such accord as this group.

Mr. STALBAUM. My colleague appears to have one of the most expensive hobbies I have ever heard of. [Laughter.]

Mr. JONES of Missouri. Do you have any questions, Mr. Stalbaum?
Mr. STALBAUM. No.

Mr. JONES of Missouri. We want to thank you gentlemen. This concludes the list of witnesses we have.

At this point in the record I want to include some letters, if there is no objection. We have some from a number of our colleagues which they would like to have inserted in the record.

I received a letter this morning from Mr. N. F. Davis, of the Drier & Elevator, Inc., expressing his views.

We have a letter from the General Foods Corp., and a letter from the National Rice Users Conference in which they give a brief analysis of this subject and have a statement. We have several hundred letters which we cannot include in their entirety in the record, but the record will show that those people who have expressed their opposition—in some of the letters they have requested permission to file formal statements.

So, if there is no objection from the other members of the subcommittee, I will go through these, and anything that is not repetitious will be included, that which will make a contribution—we will include that in the printed record.

Hearing no objection, that will be done.

(The letters and statements referred to follow :)

HOOSIER BROKERAGE Co.,
Indianapolis, Ind., May 5, 1965.

HON. RICHARD L. ROUDEBUSH,
U.S. Representative, of the House of Representatives, Washington, D.C.

DEAR CONGRESSMAN ROUDEBUSH: My purpose in writing to you concerns the farm bill, which is before the present Congress, which includes a rice certificate plan known as title III. Specifically, it is my feeling that this bill will effect the following results:

1. Reduce the domestic market for rice through raising the retail price approximately 4 cents to 6 cents per pound. Rice, as you know, is an alternate menu item for potatoes in most sections of Indiana, and a too high retail price will diminish the consumption considerably.

2. We are concerned that a precedent of this nature could soon apply similar progress to other food items.

The proportion of spendable income spent by consumers on foodstuffs is continuing to decline on a yearly basis. It is inconceivable that any of us would want otherwise, and actions to increase to 100 percent of parity for a crop surely could have a nullifying effect to the activities of all of us in the food industry to maintain this excellent record of yearly decline.

Your efforts toward eliminating this very concerning portion of the farm bill will be most appreciated by those of us who market rice in the State of Indiana.

Sincerely,

MARSH H. BLACKBURN.

CONGRESS OF THE UNITED STATES, HOUSE OF REPRESENTATIVES,
Washington, D.C., May 21, 1965.

HON. PAUL JONES,
Chairman, Subcommittee on Oil, Seeds, and Rice, Committee on Agriculture,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I am addressing you to express my special interest in title III of H.R. 7097, which proposes a certificate plan for rice in substitution for current permanent legislation. If you will be so kind as to do so, I shall appreciate your including this letter in the record of the hearings on title III.

My district in Arkansas includes 12 ricegrowing counties which produce 53 percent of the Arkansas rice crop. In the past 5 weeks, since the farm bill was introduced in the Congress, I have had numerous communications and visits in reference to title III. I cannot remember when a farm legislative proposal was so universally opposed by the people in my district as is title III.

After study of this legislation, I am convinced there are good and valid reasons for this alarm on the part of my people. This legislation would replace a smoothly working program with a new theory that is unsound in many aspects. The certificate plan would raise the domestic retail price for rice by 4 to 6 cents per pound by admission of the Department of Agriculture. According to a study that has been made by the University of Arkansas, an increase of 6 cents per pound in the price of rice would result in a reduction in domestic table use of rice by up to 25 percent.

In addition, experts in the rice industry advise me that industrial, cereal, and cannery users, who compose over 30 percent of the domestic market, would likely cut the use of rice even more substantially.

Any program that would have such a sharp impact on domestic consumption of rice is subject to grave question. I do not believe any agricultural group is working any harder than the growers and millers of rice, to develop and expand domestic consumption. It would be indeed unfortunate for the Congress to enact a program that would discourage and damage the great work being done on a voluntary basis by this outstanding industry.

Moreover, there are questions in my mind in regard to the theory of financing the proposed certificate program. This proposal would shift the cost of the Government rice program from the citizen as a taxpayer to the citizen as a consumer. In essence, this means adding a new consumer tax on the American citizen. It would be a tax of considerable proportion; I am told it would amount to 25 to 50 percent of the domestic retail price, the exact amount depending upon the type of rice and the area of distribution.

The total dollar value of this tax would amount, I am told, to about \$75 million. This will represent an additional burden on the American citizen, in that it does not propose any tax relief for him, but adds to the cost of buying rice.

It is said that the certificate proposal will reduce costs to the Federal Treasury, but even optimistic Government estimates indicate that the maximum savings would be \$50 million.

Experts in the trade who have analyzed the certificate plan, say the maximum savings to the Treasury will be in the range of \$10 to \$15 million and that in fact it might cost the Treasury more than the current program.

Whatever the affect on the Federal Treasury may be, it is obvious that, even if we use optimistic Government estimates, the total cost of the rice program—that is, the part borne by the American citizen as a consumer and as a taxpayer—will be increased. He will pay \$75 million in increased food costs, will receive no tax relief, and will possibly find that it will not reduce Federal Treasury costs.

It is well to point out that the rice industry has already been subjected to a severe process of production adjustment. I am referring to action taken in the mid-1950's, when rice acreage allotments were reduced by 40 percent. No other commodity has been subjected to this kind of forced readjustment. The industry endured and suffered this readjustment, and since that time it has worked aggressively and well to develop commercial markets for its product.

In my opinion, the overall rice operation, both in the industry and the Government, is a model that could well be emulated by other commodities.

I want to join with my constituents in Arkansas in asking you to delete title III in its entirety from H.R. 7097. I am convinced any other decision could have a disastrous effect on the rice industry and could destroy a great deal of good that has been done in the rice program by both industry and the Government.

With kindest personal regards and best wishes, I am,
Sincerely yours,

WILBUR D. MILLS.

U.S. SENATE, May 11, 1965.

HON. HAROLD D. COOLEY,
Chairman, Agriculture Committee,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I appreciate very much this opportunity to express my views on title III, the proposed rice-certificate plan of H.R. 7097, now pending before you.

I strongly oppose the price increase for rice proposed in H.R. 7097, cited as the Food and Agriculture Act of 1965.

Among other things, title III of the bill proposes to authorize the Secretary of Agriculture to set the price support for rice at any level between 0 and 100

percent of parity. The current law authorizes the Secretary to set the support rate at any level between 65 and 90 percent of parity.

Recently, the Secretary indicated that, in the first year of the program, he will fix the value of the domestic allotment certificates at 100 percent of parity, or \$6 per bag (hundredweight rough rice). Under the existing law, the domestic market is pegged at about 70 percent of parity, or \$4.50 per bag (hundredweight rough rice). Thus, the certificate program would raise the rice price in the domestic market. It is estimated that the increase would amount to 4 to 6 cents per pound as a consumer tax. The effect of this would be a sharp upturn of 25 to 50 percent in the domestic retail price market.

The proposal is unfair to American rice consumers. Daily rice users make up over 73 percent of the domestic rice market. This 73 percent is consumed largely by low-income families. They would pay the most for rice. The other 26 percent is used in cereals, baby foods, beer making, etc.

Of all our States, Hawaii, with a population of over 700,000, is the largest consumer of rice. Hawaii uses over 600,000 bags (hundredweight) of milled rice annually. Consumption is thus about 100 pounds per capita, compared to 7 pounds per capita average in the continental United States.

Placing a consumer tax of about 5 cents per pound increase on the retail price would cost Hawaii consumers \$3 to \$4 million yearly in additional food costs. This would be a tremendous burden on the people of Hawaii, and especially on its low-income people, whose staple food is rice.

Thus, the omnibus farm bill (H.R. 7097) will be most discriminatory against the people of Hawaii.

As I understand it, the existing rice program has been comparatively successful. It has permitted the marketing of the entire rice crop of the past 4 years with no buildup of surplus CCC (Commodity Credit Corporation) stocks. It has maintained farm income.

Under the existing program, the Secretary of Agriculture has several administrative alternatives for cutting costs. These include reduction of price supports, reduction of acreage allotments, reduction of Public Law 480 programing, and the boosting of dollar exports.

I strongly urge that the rice proposal be rejected.

Sincerely yours,

HIRAM L. FONG.

U.S. SENATE,
April 8, 1965.

HON. HAROLD COOLEY,
*Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: The administration's omnibus agriculture bill, H.R. 7097, introduced in the House on April 5, has created a great deal of concern amongst consumers and processors alike in our State of Hawaii. I fully realize that there are sectors of our agricultural economy which have not fully shared in the bounties of our land. I also fully realize that one of the basic purposes of the bill is to reduce the level of Government-subsidized agricultural price supports so as to enable the rechanneling of funds save to finance antipoverty projects aiding economically depressed farmers.

However, information derived from governmental sources in Hawaii indicates that the net effect of such a bill would mean an additional \$3 million economic burden to be borne by consumers in Hawaii already overburdened by excessively high food costs. For example, it has been reported that the price of rice in Hawaii could increase by one-third. A 10-pound sack of rice, now costing \$1.27, will probably cost an additional 40 cents. Since the staple diet in Hawaii is rice, this bill would create unmatched hardship to all citizens in my State.

It has further been reliably estimated that the per capita costs of the increase to the average rice consumer in Hawaii would total approximately \$20 or more annually. Although in and by itself such a figure does not seem too forbidding, the fact remains that rice is not only a staple in the diet of our low-income families, but constitutes the major portion of their daily menu. Thus, the effect of the bill would be to penalize the economically depressed families of our State proportionately more than those who can afford a more varied diet composed of more expensive protein-rich foods and carbohydrates.

It is quite possible that, in drafting this bill, no particular thought was given to the specific situation in Hawaii. I can understand that a 40-cent increase per

10-pound sack of rice would not mean very much to the average consumer in Hoboken, Hackensack, or Hopkins, Minn. For those citizens used to bread alone as a staple, I can understand that such an increase would be the equivalent of roughly a penny a loaf of bread envisaged if the section on wheat were also to be approved. Although I definitely do not mean to deemphasize the added costs of bread to the consumer in Hawaii, I definitely do wish to emphasize that the proportionate impact on the total food budget in Hawaii, for reasons already mentioned, would be far greater than anywhere else in the continental United States. And, if you add the added costs of bread consumption, which is also a staple in Hawaii, you can well imagine the effect on the average housewives' pocketbook.

For these foregoing reasons, I respectfully request a reevaluation and reassessment of H.R. 7097 with a view to correcting such inequities.

Thank you very much.

Sincerely,

DANIEL K. INOUE,
U.S. Senator.

STATEMENT OF HON. SPEEDY O. LONG, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF LOUISIANA

Mr. Chairman, my purpose in appearing before your committee is to express my opposition to the enactment of title III of House Resolution 7097—known as the administration's farm bill—especially as it relates to certain changes that will cut the price support of rice.

Under title III of the bill, the price support on rice would be cut from \$4.71 per hundredweight to \$4.50 per hundredweight, or a net cut of 21 cents per hundredweight. As a result, Louisiana will lose \$3.5 million annually. This loss falls directly upon the rice producers, rice processors, and rice millers, and primarily upon the small rice farmers.

Not only would title III of H.R. 7097 seriously impair the rice industry in general, but it would have a detrimental effect upon the economic conditions of an entire region of Louisiana. Our rice farmers have kept abreast of changing times, and automation has required heavy capital investment to maintain and improve productive ricelands, irrigation systems, mechanized farming and processing equipment, storage and transportation facilities.

A reduction support prices under title III of the bill proposes very serious threats to the maintenance and future of rice production. If we, as a nation, are to continue a food crop that has meant so much to us throughout our history, then we cannot expect our rice farmers to alone bear a burden that truly belongs to all of us as consumers. We must not permit our current rice production to be placed in jeopardy by lowering support prices to a point that would prohibit farmers from continuing to grow rice. Under the 1964 supports, we were at the point of diminishing return. It is my feeling that title III of H.R. 7097 would not be in the best interest of Louisiana rice farmers, millers, rice processors, or, the national consumer, and said section should be eliminated from H.R. 7097.

STATEMENT OF HON. HAROLD T. "BIZZ" JOHNSON, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CALIFORNIA

Mr. Chairman, the production of rice in northern California is a major agricultural industry and anything which would seriously affect its economy would be harmful to the economy of the entire region. And, I do believe that the certificate plan proposed in title III of the Food and Agriculture Act of 1965 would be most detrimental both to the producer and to the consumer.

You have heard much from the rice industry, including a fine and comprehensive statement by Mr. Joseph L. Alioto, president of the Rice Growers Association of California, concerning the adverse affect of the proposed legislation upon the industry itself.

I would like to touch on only one aspect, that being the human element—the consumer. We talk much about the problems of poverty and we are investing heavily in antipoverty programs. One of the areas receiving considerable attention is Puerto Rico, which consumes a sixth of all the domestic consumption of rice, or about three and a half million hundredweights. The average consump-

tion of rice there is 140 pounds per capita. It is admitted that the price of rice will increase if this legislation were enacted. Is it wise to increase substantially the price of the principal staple food of an area while pumping added poverty fighting funds into the same region? It would seem that we are defeating our purpose.

If we look at the national picture, we find that many, many areas have per capita consumption of rice totaling 200 pounds or more. These areas are our principal domestic markets for rice. If the price of rice is increased 33 percent, as I am sure it will be, then the consumer is either going to have less money for other commodities or he is going to change his habits and look to other more reasonably priced food sources. My guess is that the latter will be the case.

Adding to the problem of the rice producers is the impact this legislation would have on industrial uses of rice in the production of breakfast foods, baby foods, and the like. Again, if the price, which is already high, goes out of reason as a result of Federal intrusion into this agricultural business, the manufacturers of these products will quickly turn to other more reasonably priced grains.

In conclusion, Mr. Chairman, I feel I must, in order to protect the rice industry of California, voice my vigorous opposition to the certificate plan proposed for the rice industry in title II of the bill which you now have before you. To permit it to stand could be the ruin of the rice industry.

RESOLUTION

Whereas the people of the State of Hawaii consume the greatest amount of rice, per capita, in the United States; and

Whereas the rice which the people of Hawaii consume is grown on the mainland United States and any administration's price-support subsidy does not accrue to the benefit of Hawaii; and

Whereas the recently announced rice price-support plan of the U.S. Department of Agriculture would result in a 30-percent increase in the retail price of rice to the State of Hawaii; and

Whereas such a drastic increase in the price of rice would work a real hardship to the people of Hawaii, especially those in the lower income bracket: Now, therefore, be it

Resolved by the Senate of the Third Legislature of the State of Hawaii, general session of 1965, the House of Representatives concurring, That it hereby respectfully requests the U.S. Department of Agriculture to reconsider its rice price plan in order to correct its inequitable effect upon the people of Hawaii; and be it further

Resolved, That certified copies of this resolution be sent to the President of the United States, the U.S. Secretary of Agriculture, and to the Hawaii Senators and Representatives to the Congress of the United States.

THE SENATE OF THE STATE OF HAWAII,
Honolulu, Hawaii, May 5, 1965.

We hereby certify that the foregoing concurrent resolution was adopted by the Senate of the Third Legislature of the State of Hawaii, general session of 1965.

KAZUHISA, ABE,
President of the Senate.

SEICHI HIRAI,
Clerk of the Senate.

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII,
Honolulu, Hawaii, May 5, 1965.

We hereby certify that the foregoing concurrent resolution was adopted by the House of Representatives of the Third Legislature of the State of Hawaii, general session of 1965.

ELMER F. CRAVALHO,
Speaker, House of Representatives.

SHIGETO KANEMOTO,
Clerk, House of Representatives.

N. F. DAVIS DRIER & ELEVATOR, INC.,
Firebaugh, Calif., May 11, 1965.

Mr. PAUL JONES,
House Agriculture Committee,
Washington, D.C.

DEAR MR. JONES: We understand that you are a member of the House Agriculture Committee which has started hearings on the rice certificate bill (H.R. 7097), and we would like to submit our views on this bill for your consideration.

For almost 25 years we have been in the business of growing, drying, and storage of rice in the Firebaugh area, and, from our reading of the proposed legislation, it is clear that our interests, as well as the interests of all California rice-growers, will suffer considerably should this bill become law.

If we assume a current market price for rough rice of \$4.85 per hundredweight, our loss in revenue from rice production under the certificate plan would be almost 5 percent. This, in itself, is serious enough in view of the continually rising costs of labor, equipment, and taxes, but, unfortunately there are some other aspects of the plan which appear to be even more harmful to the California rice industry.

As you are aware, the bulk of this State's rice is sold on the domestic market, notably, Hawaii and Puerto Rico. If the price to the consumer in these markets is increased by 6 cents per pound, as has been estimated, the demand for California rice will be seriously affected, especially when one realizes that lower priced foreign rice is readily available in these places. In addition, the consumption per capita in the United States will decrease considerably.

It is easy to visualize a buildup of surplus rice in these circumstances, and there is every reason to believe that the next step would be a reduction in acreage allotments, with consequent harm to our seed, drying, and storage business, which in 1964 represented over 22 percent of the San Joaquin Valley rice crop.

The ricegrowers in our community and we ourselves are quite apprehensive about the future of the rice industry if the certificate bill, as it now stands, becomes law, and we would respectfully ask you to keep our interests in mind during the hearings on the bill.

Sincerely,

N. F. DAVIS DRIER & ELEVATOR,
 N. F. Davis.

GENERAL FOODS CORP.,
White Plains, N.Y., May 11, 1965.

Re H.R. 7097—Rice.

HON. PAUL C. JONES,
Chairman, House Subcommittee on Oilseeds and Rice, House Office Building,
Washington, D.C.

DEAR MR. JONES: General Foods Corp., Post Division, a member of the National Rice Users Conference, manufactures and distributes nationally a line of ready-to-eat breakfast cereals, including a rice cereal, in the production of which substantial quantities of rice are used.

During recent years, we have participated in efforts to increase the use of rice cereals. After carefully reviewing the matter, it is our considered judgment that the price effects that would result from passage of title III of H.R. 7097 would have very serious negative effects on the sale of rice cereals. We, therefore, express the hope that this section will not meet with your committee's approval.

Very truly yours,

GENERAL FOODS CORP.,
 By M. C. BAKER,
Vice President.

THE NATIONAL RICE USERS CONFERENCE,
Washington, D.C., May 12, 1965.

HON. PAUL C. JONES,
Chairman, Oilseeds and Rice Subcommittee, House Committee on Agriculture,
Washington, D.C.

DEAR MR. JONES: The National Rice Users Conference, a nonprofit association formed under the laws of the District of Columbia, and representatives of some

of the principal food processing, industrial, and consuming rice groups, wishes to register its opposition to House bill 7097, particularly with reference to title III, relating to rice.

We have made a careful analysis of the proposed measure and have studied its probable effects upon the principal rice users of the country. This work is attached for the consideration of your committee.

Sincerely,

EDMUND PENDLETON, Jr., *Counsel.*

STATEMENT OF THE NATIONAL RICE USERS CONFERENCE

BACKGROUND

Rice returned \$360 million to American farmers in 1964. In Louisiana it accounts for 25 percent of farm receipts from crops, in Arkansas about 15 percent. Rice is an important crop in Texas, California, and Mississippi. In addition, it is one of our major farm exports; the United States is the world's third largest rice exporter.

The value of the rice crop has increased almost 50 percent since 1960. To offset increased program costs which accompanies higher yields, the support level was reduced from \$4.71 to \$4.50 a hundredweight for 1965. Lower costs under the present program can be achieved only by lowering support levels still further or by reducing acreage.

The proposal would authorize a marketing certificate program for 2 years—1966 through 1967, in place of the present price support program. Marketing quotas would remain in effect, and acreage allotments would be determined and apportioned just as they have been.

There would be two levels of price support. Price support loans would be related to world market prices. Marketing certificates would be issued on the portion of the crop used domestically—about 25 percent—providing total support on that portion of the crop in a range of 65 to 100 percent of parity.

The Secretary would estimate the rice production needed, in addition to existing carryover, for food here at home, for dollar exports, food-for-peace commitments, and an adequate carryover the next year.

The national acreage allotment would be determined from the estimated requirements and the projected yield per acre. The minimum national allotment would be an acreage which would produce not less than 60 million hundredweight of rice, which today would be slightly under 1,500,000 acres, instead of the 1,652,596 acres under existing law.

Each farmer would get certificates reflecting the proportion of the national crop expected to be used domestically. However, the number of certificates a farmer would receive also could be contingent on the amount of rice he decided to produce.

To illustrate, producers might receive certificates on up to 55 percent of the first 500 hundredweight produced; on up to 45 percent of the next 1,000 hundredweight produced; and on up to 35 percent of all production over 1,500 hundredweight.

Under this illustrative situation, the loan level would be \$3.60, and the certificate value would be \$2.90 per hundredweight. The "blend" support price per hundredweight received by producers would be determined as follows:

<i>Blend support price including certificate value</i>	
Total production (hundredweight) :	<i>Per hundredweight</i>
500_____	\$5. 20
1,500_____	5. 00
3,000_____	4. 81
5,000_____	4. 73

Each farmer, by his own production decision, could determine his average return per hundredweight, depending on plantings within his allotment.

Certificates would be purchased by millers on all rice processed in the United States. But the value of the certificates would be refunded on any processed rice that was exported.

As in the case of wheat, CCC would redeem the farmers' certificates in cash and in turn, sell them to rice millers and processors.

EFFECTS OF THE PROPOSED PROGRAM

On farmers

Growers would get a higher price for rice consumed domestically, but a lower price for rice used for export. The net effect on gross incomes would depend upon the size of the acreage allotment and the actual level of price support. There is no guarantee of 100 percent. It is 65 to 100 percent of parity.

On Government expenditures

By supporting the export portion of the rice crop at world price levels, unit costs of rice used in food for peace would be cut substantially. Costs could be reduced substantially from the \$180 million spent in fiscal 1960. In addition, export payments for commercially exported rice would be reduced or eliminated.

On consumers

Retail prices of rice would increase several cents per pound if certificate rice is set at 100 percent of parity. The low-income consumers use much more rice than higher income consumers.

On the rice industry

Millers and processors would buy rough rice as they do now. Market prices would be influenced by the price support level set largely on the basis of world prices. Millers would purchase certificates on the amount of rough rice milled or processed, and this cost would be reflected in retail prices of rice. The value of the certificates would be refunded on rice that is exported. There would probably be less rice to be milled.

TITLE III

Title III of the bill would authorize a marketing certificate program for rice for 2 years—1966 and 1967. Marketing quotas would remain in effect.

(1) The Secretary would proclaim a national acreage allotment equal to the number of acres which the Secretary determines will, on the basis of the projected national yield and expected underplantings of farm acreage allotments, produce an amount of rice which, together with the estimated carryover, would be adequate to make available a supply equal to estimated domestic consumption, exports, and an adequate carryover. The minimum national acreage allotment would be the one which would produce not less than 60 million hundredweights of rice instead of the 1,652,596 acres specified under existing law. This would cut the minimum to less than 1.5 million acres.

(2) Producers would receive a rice marketing allocation on which marketing certificates would be issued equal to the number of hundredweights obtained by multiplying the estimated production on the allotted acres by the percentage estimated by the Secretary to be the percentage of the rice crop which will be used in the United States during the marketing year except for seed. Provision is made for issuing additional certificates to be financed by Commodity Credit Corporation on the first 1,500 hundredweight of each farmer's production. Thus, small producers would receive relatively the highest returns from marketing certificates.

(3) The marketing certificates would have a value per hundredweight equal to the difference between the price support on certificate rice and noncertificate rice.

(4) Marketing certificates would be required to cover all rice processed in the United States and all processed rice imported into the United States, but the value of the certificates would be refunded on all processed rice exported from the United States. The Secretary would be authorized to exempt processors from the requirement to purchase certificates for (i) rice processed for donation, (ii) rice processed for use on the farm where grown, (iii) rice produced by a State or agency thereof and processed for use by the State or agency thereof, and (iv) rice processed for uses determined by the Secretary to be noncommercial.

(5) Commodity Credit Corporation would be authorized to buy and sell marketing certificates.

- (6) The Secretary would be authorized to take such action as he determines would be necessary to facilitate the transition from the program currently in effect to the marketing certificate program.
- (7) Price support—
- (i) for rice with marketing certificates would be between 65 and 100 per cent of parity ;
 - (ii) for noncertificate rice would be at such level, not in excess of parity, as the Secretary determines will provide orderly marketing of rice and retain an adequate share of the world market, taking into consideration the price of rice in world markets and other factors.
- (8) The minimum price for sales of rice from Commodity Credit Corporation stocks would be 105 percent of loan rate, plus reasonable carrying charges.
- (9) After 1967, the existing provisions of law for acreage allotments, marketing quotas and price support will again become effective.
- Title III would also provide authority to reduce the rice acreage allotment for any farm if the farm owner or landlord evicts or otherwise mistreats a rice tenant or sharecropper on the farm.

RICE—ANALYSIS

1. Fundamentally, what is proposed for 1966 and 1967 is an 80 percent—2.90 per hundredweight—excise tax on the milling of rice.

On March 26, 1965, the then Secretary of the Treasury, Douglas Dillon said : “On the problem of ‘vertical equity’—the treatment of taxpayers at different income levels—there has been much concern over how the tax burden is distributed between the very rich on the one hand and everyone else on the other. As a result, we have given little attention to the progressivity of our system in the middle and lower income groups—which includes most of our citizens.

“These considerations bear directly upon our current intention to reduce excise taxes, which are particularly regressive. In the longer run, they require that we give serious thought to the structure of our tax system at the lower income levels. We made a beginning in this direction in the Revenue Act of 1964 with the minimum standard deduction, a new method of lessening the tax burden of those who can least afford to carry it. But both interests of tax fairness, as well as the need to lighten the burden of true poverty, call for further action.”

Apparently, the administration has responded to this need by requesting authority to increase the burdens of the poor.

2. The rice tax is totally out of place in the President’s antipoverty program. Indeed, it has all the earmarks of an antipoverty program. The cost of this tax would, of course, be passed on to consumers, and Department of Agriculture statistics show clearly that rice consumption goes up sharply as family income goes down.

Home use of rice per person per week in the United States (April–June 1955)

Income after taxes	Rice consumed per person (pounds)	
	Urban	Rural
Under \$2,000	0. 21	0. 14
\$2,000 to \$2,999	. 17	. 09
\$3,000 to \$3,999	. 10	. 08
\$4,000 to \$4,999	. 07	. 05
\$5,000 to \$5,999	. 05	. 08
\$6,000 to \$7,999	. 06	. 07
\$8,000 to \$9,999	. 05	. 04

3. It is rather startling to contemplate that some \$78 million will be collected primarily from the poor and redistributed to the highest income rice producers. Of the millions collected primarily from the poor, the top 16 percent will receive 60 percent of the payments. The rest of the producers—84 percent by number—are the recipients of only 40 percent of the pie.

The largest 3 percent receive almost 30 percent of the payments.

Acreage allotment size group	Farms with allotments		Allotted acreage	
	Number	Percent of total	Actual	Percent of total
Up to 25.....	4, 214	29. 0	46, 052	2. 4
25 to 50.....	2, 269	16. 0	85, 727	4. 8
50 to 100.....	2, 907	20. 1	213, 534	11. 8
100 to 200.....	2, 659	18. 3	379, 629	20. 9
200 to 500.....	1, 921	13. 1	573, 921	31. 6
500 to 1,000.....	376	2. 6	253, 994	14. 0
1,000 and over.....	138	. 9	263, 407	14. 5
Total.....	14, 484	100. 0	1, 816, 264	100. 0

4. One-half of the nonwhite population has an annual income of less than \$3,000. The tax must fall on those least able to pay. Regressive taxes are usually anathema to liberals. This is an anti-anti-poverty program. Secretary Freeman realized this, for in a classic understatement, he stated: "It is reasonable to anticipate that there will be those who will contend that this kind of program is an imposition on the consumer."

5. President Coolidge in vetoing similar bills said: "Clearly this legislation involves governmental fixing of prices. It gives the proposed Federal board almost unlimited authority to fix prices on the designated commodities. This is price fixing, furthermore, on some of the Nation's basic foods and materials. Nothing is more certain than that such price fixing would upset the normal exchange relationships existing in the open market and that it would finally have to be extended to cover a multitude of other goods and services. Government price fixing, once started, has alike no justice and no end. It is an economic folly from which this country has every right to be spared.

"This measure is as cruelly deceptive in its disguise as governmental price-fixing legislation and involves quite as unmistakably the impossible scheme of attempted governmental control of buying and selling of agricultural products through political agencies as any of the other so-called surplus control bills. In fact, in certain respects it is much broader and more flagrant in its scope. The heights to which price lifting might be promised are freed from the limitations fixed in previous measures. The bill carefully avoids any direct allusion to such price-fixing functions, but there can be no doubt about its intentions and authorizations to the Federal farm board in this respect. There is apparently no change in the import of the bill in the resolution to impose upon the farmer and upon the consumers of farm produce a regime of futile, delusive experiments with price fixing with indirect governmental buying and selling, and with a nationwide system of regulatory policing, intolerable espionage, and tax collection on a vast scale.

"These provisions would disappoint the farmer by naively implying that the law of supply and demand can thus be legislatively distorted in his favor. Economic history is filled with the evidences of the ghastly futility of such attempts. Flat prices match the folly of fiat money. It would be difficult indeed to conceive of a more flagrant case of the employment of all of the coercive powers of the Government for the profit of a small number of specially privileged groups."

6. The certificate plan is a manufacturers' excise tax: Under the rice certificate plan every person processing rice into food products will be forced to buy marketing certificates at a fixed face value. The cost of these certificates—about \$2.90 per hundredweight for the 1966 marketing year—is over and above the price paid by the processor to obtain rice in the market place.

The cost of the certificates does not change with the market price of rice. Thus, the certificates are clearly a device used by the Government to collect funds from the processors of rice who will pass it on to consumers of rice food products. Such a device has all of the earmarks of a manufacturers' excise tax.

The price of rice and products will go up, and the certificate plan must bear a major part of the responsibility for the increase.

The real point, however, is that a Government exaction from processors—which is based on the volume of products processed—is clearly a tax on process-

ing, regardless of whether the cost of the product would be higher or lower under a different program.

7. Parity: The campaign for higher returns in agriculture has been aided immeasurably by the discovery of a word that symbolizes justice, fairness and equity: the word "parity." It is almost as hard to be against parity as it is to be against motherhood.

Perhaps the most understandable concept of parity is that if a bushel of wheat exchanged for a pair of overalls years ago, a bushel of wheat ought to exchange for a pair of overalls today. This is the basic idea of parity. The base period is 1910-14.

However, in 1910-14 only about one-fourth of our present population had been born. Wheat production was the result of horsepower and manpower. Today, it is the result of mechanical power and brain power. In 1910-14 it took 15 hours of human labor to grow an acre of wheat; today it takes only 4 hours, and the yield per acre has nearly doubled. Wheat experiences a declining demand. Per capita consumption in 1961 was only 54 percent as high as during 1910-14. The economic shortcomings of a pricing concept based on an outmoded era thus are clear to the openminded.

Establishing a parity price and developing the associated regulatory machinery is often portrayed as a bold new idea. Actually it is hundreds of years old, having reached full flower during the age of mercantilism and having been replaced many years ago by the enterprise economy. Advocates of the regulated economy like to refer to those who favor the free society as "wanting to go back to the 19th century." This is a strange charge indeed, coming from people who want to go back to the 17th century. If farm policy becomes a contest as to who can go back the farthest and stay there the longest, the award clearly goes to the price fixers and the controllers.

The shortcomings of the parity objective are at once clear to any student of economics. The parity standard makes assumptions which are truly of heroic proportions.

(1) It assumes that price relationships of 1910-14 were proper at that time.

(2) It assumes that changes in production costs since 1910-14, as between farm and nonfarm goods, were identical.

(3) It assumes that changes in demand for farm as compared with non-farm products from 1910-14 onward were equivalent.

(4) It assumes that a pound of cotton or some other product, in any given year, is of the same quality as it was in 1910-14, and that a package of articles used in farm production and in living in any year is about the same as the package of such articles during the period 1910-14. All we must do to realize that this is a fallacy is to compare the modern, rubber-tired, row-crop tractor with the slow, awkward behemoth of 1910-14, or to compare today's high-quality cotton with the inferior short-staple cotton of the earlier period.

In appraising the concept of the fairness of parity, the following data should be considered:

The official U.S. Department of Agriculture statistics prove that the production per hour of labor has gone up almost 10 times since the 1910-14 average. The increase in productivity per unit of input in wheat has more than offset cost increases.

United States—1910-60, 1963¹

[1957-59=100]

Year	Man-hours of labor used for food grains production	Index numbers of food grains production per man-hour	Year	Man-hours of labor used for food grains production	Index numbers of food grains production per man-hour
1910-14.....	905	13	1950-54.....	337	56
1915-19.....	1,006	14	1955.....	253	67
1920-24.....	924	15	1956.....	245	72
1925-29.....	727	18	1957.....	203	82
1930-34.....	600	20	1958.....	217	113
1935-39.....	605	21	1959.....	190	105
1940-44.....	494	31	1960.....	182	128
1945-49.....	464	42	1963.....	167	124

¹ Includes wheat, rye, rice, and buckwheat—primarily wheat.

8. Two-price plans: The two-price plan is an effort to differentiate the market for major export crops like wheat and rice. Typically it would utilize the power of Government to divide the market and to allocate specific quantities of product to the respective sectors. Usually it would specify price targets.

A two-price plan correctly drawn up for a commodity adapted to this technique would clearly increase the incomes of the farmers who produce that commodity. If one is to argue against the two-price plan, he must choose grounds other than the capacity of the program, if workable, to increase farm income.

For a two-price plan to work effectively, certain conditions should prevail.

(1) There should be a primary (high-priced) outlet and a secondary (low-priced) market. Wheat is the classic example (food and feed). Rice is another candidate (domestic uses and export).

(2) In the primary outlet, a given restriction in supply should result in a sharp price rise. In the secondary outlet, a given increase in supply should result in only a small decrease in price. As the economist says it, demand should be inelastic in the primary outlet and elastic in the subordinate outlet.

(3) It must be possible to divide the market and keep the low-priced product from getting into the high-priced outlet.

(4) The consumer in the high-priced market must acquiesce in having his supply reduced and his price boosted; that is, he must not revolt, politically or economically. To use the illustration of rice, buyers of rice must willingly accept or at least not overtly rebel against a government which increases the price of this food.

So, to be a promising candidate for a two-price plan, a commodity must have a primary and a secondary outlet, a particular combination of elastic and inelastic demands, tolerant consumers, patient competitors, and producers who are willing to accept tough administrative measures.

Two-price plans would transfer income from the buyers of food to the producers of food. This, of course, is their basic purpose. One can appropriately inquire about the desirability of such a transfer, and one can properly ask whether it is the Government's business to engage in such transfers. No one has yet convincingly shown, for example, that the overall cause of equity would be served by such a transfer. What considerations, other than political power, justify the transfer of income from rice consumers to rice producers? Advocates of two-price plans have not been able to show that the bulk of the rice producers are in poorer financial circumstances than the bulk of the rice consumers. Certainly the large rice producers, who would receive most of the benefits, are in better average circumstances than the fathers of large families, who would bear most of the cost.

If one accepts the assumption that it is the business of Government to transfer income from the wealthy to the poor, the income tax, which is progressive, is a better instrument than a rice tax, which is regressive.

Actually, in this case, through Government fiat, there is a transfer from the poor—it is "Robin Hood" in reverse.

9. Imports of rice products: There is one facet of our international affairs which should be considered in connection with these higher prices for U.S. rice; i.e., the importation of rice products. Since rice will cost the U.S. food manufacturer about twice that of foreign bakeries, there will be a tendency for—

Canadian-based plants and possibly those headquartered to manufacture rice products especially cereals for shipment into the United States in ever-increasing quantities. The wider the differential in the price, the greater the distance that products can be shipped economically. A permanent program of this type will expand investment in rice cereal making abroad. This can be another problem comparable to that for textiles. The tariff on cereal products is only 5 percent ad valorem.

The much higher raw costs here will mean investment and jobs being exported.

(The National Rice Users Conference also submitted the following information:)

ANALYSIS OF PROPOSED RICE PROGRAM FISCAL EFFECTS

The USDA's major complaint regarding the present rice program is the fact that it has been costly. In 1965, the USDA reduced the level of price support

from \$4.71 to \$4.50 per hundredweight. Under present law the level of price support for 1966 could be reduced to \$4.36 per hundredweight.

This action, permitted by present law, would save approximately about \$6 million.

It should be noted that the USDA's proposals for a loan at \$3.60 per hundredweight would result in total savings from the current support level of about \$36 million minus about \$8 million needed to cover the additional rice marketing certificates issued to producers as a result of using allocation percentages in excess of the national allocation percentage which under the proposal will be financed by the Commodity Credit Corporation.

Thus, if no domestic consumption were lost, the net saving would be \$22 million. However, high priced food will lose at least 50 percent of the remaining industrial use. This will cost the Government about \$6 million in refunds for excess domestic certificates issued but not utilized by industry. Brewers would shift to corn. Additional quantities would have to move in export channels primarily under Public Law 480.

It is also likely that higher prices will result in the loss in domestic food consumption of some 2.5 million hundredweight, with additional costs in refunds for excess domestic certificates of about \$7 million.

Rice is competitive with corn in many products and with potatoes. The effect of this sharp increase in rice prices will tend to shift consumption to these lower-priced alternatives.

During the last several years, there has been a sharp increase in expenditures for promotion of rice and rice products. Considerable research work has gone into this effort. This research and promotional effort has been of great help to the rice producers in expanding domestic consumption. This legislation will disrupt this pattern and will actually reduce domestic consumption. It used to be thought that the demand for rice was inelastic. However, recent efforts have been crowned with success in expanding domestic per capita demand and consumption.

It may be expected that we will become importers, not of rice, since this is covered by appropriate legislation, but of rice products, such as cereals. Canadian-based plants equipped to manufacture rice products, especially cereals for shipment into the United States in ever-increasing quantities, is likely. A similar situation may develop with respect to Mexico. The wider the differential in price, the greater the distance that products can be shipped economically. A permanent program of this type will expand investment in rice cereal making abroad. This can be another problem comparable to that for textiles. The tariff on cereal products is only 5 percent ad valorem.

The much higher raw costs here will mean investment and jobs being exported.

If, as is indicated, there is a loss in domestic consumption, both for brewing and food use of rice, then this additional quantity will either have to be exported under Public Law 480 or acquired by the Commodity Credit Corporation. In either case, this will increase the cost to the Federal Government by some \$16 million.

In summary, there is a total potential saving from the 1965 level of price support of \$36 million. Against this, there must be subtracted the following:

	<i>Million</i>
(a) Reduced costs through reduction in price support the minimum level permitted under present law.....	\$6
(b) Additional cost of certificate program to cover additional rice marketing certificates for small farmers.....	8
(c) Additional administrative costs to determine normal yields and to check records of handlers of rice.....	1
(d) Excess certificates issued.....	13
(e) Additional exports under Public Law 480 or acquisitions by CCC.....	16
These offsets equal.....	44

The USDA has an extremely poor record in forecasting costs of programs. Witness the recent fiasco in the case of cotton where the actual costs have been almost double those indicated by the USDA.

About 70 percent of the Government costs for the rice program relate to Public Law 480. It should be noted that due to the importance of this major foreign policy program, the costs of this operation have been treated in the most recent budget as part of the international affairs and finance function—not in the agri-

cultural budget. The underdeveloped world will continue to need U.S. rice. The President said on February 4, 1965, "The food-for-peace program is good international policy, and it is sound economic policy. Food is a powerful weapon for peace. People who are hungry are weak allies of freedom. Men with empty stomachs do not reason together."

On March 31, 1965, President Johnson said, "Today about 40 percent of our Government's economic development assistance overseas is in the form of agricultural commodities and local currencies received from their sale."

"Public Law 480 generated currencies are paying U.S. overseas expenses, conserving dollars, and strengthening our balance-of-payments position. Reimbursements to the Commodity Credit Corporation through 1964 by U.S. Government agencies utilizing these currencies totaled almost \$1.1 billion. Additional reimbursements also resulted from barter programs as U.S. agencies financed overseas procurement of goods and services with Public Law 480 commodities. Such reimbursements from both programs totaled over a third of a billion dollars in 1964."

Since 1961, the USDA has been promoting the expansion in production of rice by increasing the acreage allotment and the price support. The 1965 price support at \$4.50 a hundredweight is still above the 1960 level at \$4.42 hundredweight. The industry and farmers responded by increased production plus increased domestic and export promotion.

CALIFORNIA RICEGROWERS WILL BE THE PAWN IN THE ADMINISTRATION'S FARM PROGRAM

(By Leo Marihart, commodity specialist, California Farm Bureau Federation)

California ricegrowers should be up in arms over the farm program the administration has recommended to Congress. Although the administration is selling the program as a means of raising farmers' income, it is a hoax as far as the California ricegrower is concerned.

Essentially the administration in its rice program is proposing a graduated price-support system which is written to favor the small ricegrowers. To the average grower in a State like Missouri, the administration's support system would mean a 53-cent-per-hundredweight increase over his total gross returns under the current program.

To finance such a scheme, the administration incorporated marketing certificates into which its proposal to shift some of the burden of support over onto the consumer. These marketing certificates which millers are forced to buy on all domestically consumed rice will go for \$2.90 per hundredweight. If there were no bookkeeping and overhead costs involved in handling them, these certificates alone would raise the consumer's price 3 cents per pound of rice. However, the U.S. Department of Agriculture estimates the price rise by the time it reaches the consumer will be 4 to 6 cents per pound.

Now, this may sound like a bad deal for only the consumer, but in California the grower is going to get hooked, too. Here, growers sell very little rice to the Government. Through their excellent cooperative marketing efforts, they have been able to market their rice at an average price of 35 cents per hundredweight above the current support price.

California's prime rice markets are domestic markets—Hawaii, where the per capita consumption is 100 pounds compared to 7 pounds here on the mainland, and Puerto Rico, where the per capita consumption approaches 150 pounds. The marketing certificates (and thus the price rise at the consumer level) will apply in Puerto Rico and Hawaii on domestically produced and milled rice. However, there is nothing that says the suppliers there have to buy domestic rice—they can buy lower priced foreign-produced rice. British Guiana growers are already contending for the Puerto Rican market.

Consequently, under the administration's program, California ricegrowers face a dilemma. And no matter which way they turn it is going to cost them money. Either they will have to (1) absorb some of the increased costs caused by the marketing certificates in order to compete with foreign growers in their prime domestic markets; or (2) give up these markets and be content with the Government support price.

If the average grower in California had to settle for the proposed Government support level including his percentage of marketing certificates, this would amount to taking at least a 35-cent-per-hundredweight cut under his current

average gross receipts. And because of the proposed graduated support levels, the larger the acreage, the larger the cut in gross receipts.

Let's take a closer look at the proposed program.

BASICS OF THE PROGRAM

The administration's proposed program calls for a national acreage allotment to be established by the Secretary of Agriculture which would provide the supply of rice needed for domestic consumption, for export sales and foreign assistance programs (food for peace, etc.). Of course, carryover is considered in determining the number of acres to produce the above supplies. Although not spelled out in the program yet, indications are that the acreage would be apportioned among States on the existing basis.

Next, the proposal calls for a marketing certificate program coupled with price supports. The price supports for rice will be set at \$3.60 per hundredweight, a figure the Government determined to be the world price for rough rice. All growers will be eligible for the \$3.60-per-hundredweight support on all production.

In addition to this price support, growers will receive marketing certificates on the percentage of the national production which is consumed domestically (currently about 35 percent of the total production). However, a bonus has been included, and this is where the program takes on its social aspects.

Besides the \$3.60 support price, on the first 500 hundredweights produced, the grower will be eligible for marketing certificates on 55 percent of it. The marketing certificates, which are worth \$2.90, coupled with the price support, averages out to a total combined support on the first hundredweight of about \$5.20.

On that portion of a grower's production between 500 and 1,500 hundredweights, he will be entitled to marketing certificates on 45 percent of the production in addition to the price support—or an average combined support of \$4.90 per hundredweight.

Only 35 percent of the production above 1,500 hundredweights will be eligible for marketing certificates.

The average grower in the State of Missouri has 25 acres on which his average yield is 43 hundredweights per acre—thus his entire production falls within the two higher price-support levels—for an overall support of \$5.03 per hundredweight.

However, the average California grower has 127 acres on which the yield is 50 hundredweights per acre. Only one-quarter of his total production is in the two higher price-support levels. Three-quarters of his production would be above the 1,500 hundredweights which means only 35 percent of the majority of his production would qualify for marketing certificates. On that portion of his crop not qualifying for certificates, all he will be eligible for is the support of \$3.60 per hundredweight. (The current program supports rice at about \$4.50 per hundredweight.)

What is ironic, California currently markets 55 to 57 percent of its rice in domestic markets. Yet under the administration's program, this factor is recognized on only 8 percent (500 hundredweights) of the California grower's production. On the next 16 percent of his production, the Government arbitrarily decided he markets 45 percent domestically. And on three-quarters of his production, the Government says he markets but 35 percent domestically. While California growers through their cooperatives have footed the bill to promote their product and build up domestic markets, the administration under its program will pass along the rewards for these efforts to growers located primarily in the Southeastern States.

JUGGLING THE COSTS

When social legislation is incorporated into farm programs, the total costs of those farm programs are going to rise. The administration is fully aware of this. And it is also aware of the fact that the American taxpayer is getting tired of continually paying more money to support bigger farm programs which fail to remedy the farm problem.

The addition of marketing certificates to the rice program is an attempt to hide the true cost of the program the administration is proposing.

The administration claims that the Government is spending \$180 million a year to support the current rice program. (Actually \$100 million of this is Public Law 480 costs.) Through the introduction of marketing certificates, the

administration claims it can save \$50 million in costs. But this just doesn't add up.

It is difficult to estimate the total cost of any farm program before it is in operation, but projections can be made. Figuring the acreages and average yields in the rice production States of the support price and marketing certificate percentages plus adding in the current costs of Public Law 480, it appears the total costs of the proposed rice program could fall in the vicinity of \$220 million.

If the consumer continues to buy rice on today's per capita basis, the administration says the consumers will contribute \$50 million to the cost of maintaining the program. But this per capita consumption and the revenue it brings very likely will drop.

Although the grower has no choice under the administration's program, the consumer still does. He doesn't have to buy rice, he can buy lower priced starches. The U.S. Department of Agriculture estimates the retail price rise will decrease consumption per capita in the United States one-half pound (from current 7 to 6½ pounds, or an annual total of 90 million pounds). This factor alone will add up to \$4.5 million that the Government is going to have to add to its share of the estimated costs.

As has been seen in the operation of other Government programs, farmers can outfarm the Government. Make it worth his while and the grower is going to raise more rice on his allotted acres by pouring on more fertilizer, etc. The small growers will find the incentive under the administration's graduated price-support system to get higher yields. This factor could cause the total costs of the program to soar in succeeding years.

FORECASTING RESULTS

As previously mentioned, California stands to lose much of its prime domestic market in Hawaii and Puerto Rico as a result of the administration's program. It also must be recognized that the Japanese market is an "on again, off again" market depending on Japan's own rice crop, and thus, California cannot expect to substantially increase her exports of rice to this market.

If the price rise caused by the marketing certificate portion of the administration's program (1) causes a loss of California's markets; and (2) causes the per capita consumption to drop, the surplus of rice is going to build up. Then the Government will have but two alternatives: to give away more rice or to cut back on acreage allotments.

To repeat: California ricegrowers should be up in arms over the administration's rice program for they have everything to lose.

Plans already are underway to oppose the program in Congress on two fronts: First, to urge each and every ricegrower in this State to write to his Congressman outlining how this jerry-rigged program will affect his operation; and second to launch a campaign to call to the attention of consumers what the program will cost them. To be effective, the latter will require considerable financing.

A special fund has been set up with the California Farm Bureau Federation to be used to oppose the administration's rice program. Growers are invited to contribute to the fund.

COUNTY OF COLUSA CHAMBER OF COMMERCE, *Colusa, Calif.*

Re resolution opposing rice legislation now before Congress.

Rice production being a major factor in Colusa County's economic welfare, serious consideration has been given to the matter of rice legislation contained in H.R. 7097.

Rice section: California Farm Bureau Federation representing the major ricegrowing interests in number and volume produced, unanimously oppose this legislation. Also the processors and marketing specialists of the rice industry have meticulously reviewed this legislation. Their conclusions are that this two-price phase and reduction of supplies would very seriously affect the orderly process now enjoyed, and would penalize the growing industry of rice as well as the economic welfare of the county.

The membership of this chamber of commerce represents a very broad cross section of the economy of Colusa County business—warehousing, drying and storage, fertilizer and weed control and pesticide distributors, implement dealers,

banks and production credit agencies, appliers and operators of airplane applicators.

This organization feels that any legislation which suggests the increasing of production costs and the curtailment of marketing opportunities is detrimental to our economic well-being and seriously affects the overall economy of the county.

Therefore, in regular meeting held in Maxwell, Colusa County, Calif., May 17, 1965, the board of directors unanimously resolved to oppose the section in H.R. 7097 that pertains to rice legislation as it is now presented.

CERTIFICATION

I, N. L. Good, secretary-manager of the Colusa County Chamber of Commerce, hereby certify that the above resolution was duly moved, seconded, carried, and adopted by the Colusa County Chamber of Commerce Board of Directors at the regular meeting, time, and place as aforementioned in the resolution.

N. L. GOOD, *Secretary-Manager.*

CALIFORNIA FARM RESEARCH & LEGISLATIVE COMMITTEE, *Santa Clara, Calif., May 21, 1965.*

HON. HAROLD D. COOLEY,
Chairman, Committee on Agriculture, House office Building.
Washington, D.C.

MR. CHAIRMAN AND MEMBERS OF THE HOUSE COMMITTEE ON AGRICULTURE: In submitting our position in respect to various aspects of H.R. 7097 in a statement to your committee dated April 26, 1965, we reserved specific reference to title III rice, except for our opposition to the "pass through" of the cost of certificates to the consumer at the retail level, until we could consult with California ricegrowers who are members of our committee or who are cooperating with us in many fields.

Mr. Chairman, you graciously accepted our proposal, and we are now in position to speak positively on the question.

We have reviewed in considerable detail the testimony submitted to your committee on May 11, 1965, from the following officials of the Rice Growers Association of California: Joseph L. Alioto, president; Glen R. Harris, director; Lorris Lauppe, director; and Adam Richter, director.

We note that in his testimony, Mr. Harris states that "the consumption of table rice is not evenly spread among consumers, but is concentrated largely in the low-income segment of the people of certain areas * * *". He cites the people of Hawaii and Puerto Rico especially. The volume of table rice consumed by these groups, and the effect of the proposed increased costs to such low-income families, fully documents our position against placing the burden of the "pass through" on those least able to pay.

His conclusion that California's rice industry "will be demoralized and domestic consumption will be lost" should the proposals for rice contained in title III of H.R. 7097 be enacted, coincides with that of members of our committee who grow rice.

The statement by Mr. Alioto that "the cost of foreign aid programs should not rightfully be charged against agricultural appropriations, but, instead, should be included in our foreign aid budget," sustains our position on this subject, as well as his conclusion that placing this burden upon the shoulders of segments of our population for whom rice is the most basic food and who are least able to endure the additional cost, is "basically unfair," and this is equally true for price supports.

As we stated in our April 26 testimony, we know of no way to determine what the increased cost can possibly be of a commodity whose escalation depends on sale of certificates to millers.

We think that we proved that taking an average percentage of an average national income was completely unrealistic. Mr. Alioto documents this average of 5 cents per pound of rice at the mill level for California-milled rice, which he says is from 9 and 10 cents per pound, and states that the proposed measure would result in an increase of over 50 percent in free on board mill prices. He then translates this increase to domestic consumers as approximately 20 percent representing normal markups in the various channels of trade.

When this result is applied to the 140-pound per capita consumption in Puerto Rico or 100 pounds in Hawaii, the effect upon those least able to pay is all too

clear. The fact that petitions against title III bore 75,000 signatures speaks for itself. California is also a heavy rice-consuming State. So are many Southern States and New York City.

It is also clear that California ricegrowers, who sell nearly 60 percent of their production on the domestic market, would feel the rebound from reduced consumption. Entire rural communities would be affected along with business and employees in related warehousing, processing, and transportation industries.

Future acreage allotments under title III, based on national average yields, would greatly reduce acreages of efficient California growers since their average yields are nearly 50 per hundredweight per acre—far in excess of the national average.

We are convinced that the proposals in title III would result in lower rather than higher incomes for ricegrowers, either through reduced domestic consumption reduced farm prices, or buildups in CCC stocks and carryover, again further reducing acreage allotments. Thus the assumed goal of the Food and Agricultural Act of 1965 would be self-defeating.

We are not discussing at this point why rice acreage and production has assumed its pivotal place in California's agricultural economy. What we are saying is that this is the situation today and that it is extremely difficult, if not impossible, to switch from rice culture and its obligations of carrying expensive equipment and irrigation practices to other types of farming on any quickly rational basis.

Our conclusion, therefore, is to support the position of the California Rice Growers Association along the lines indicated in this supplementary statement, which means, in essence, that we oppose enactment of title III of H.R. 7097 as presently written.

Sincerely,

Mrs. GRACE McDONALD,
Executive Secretary.

SEALY, TEX., May 22, 1965.

Hon. PAUL C. JONES,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN JONES: While I am well aware of the fact that being a representative in Washington is not an easy job and I am also aware that your primary responsibility is to your own people, I would, however, like to impose on your time and good judgment with reference to H.R. 7097 (the two-price plan or certificate plan for rice).

I hope that this bill can be killed in committee because there are just too many things in this bill that would really hurt rice farmers. Among these I think it is entirely too dangerous to give as much power to one individual as this bill would give the Secretary of Agriculture.

I respectfully request that you give this bill your most serious consideration and that you will see fit to help defeat this type of legislation.

Thanking you for your help in this matter, I am,

Respectfully yours,

THOMAS TAYLOR.

HOUSTON, TEX., May 19, 1965.

Congressman PAUL C. JONES,
House Office Building, Washington, D.C.

DEAR CONGRESSMAN PAUL C. JONES: Being a small independent rice farmer of 161 acres, I can't help but wonder about the outcome of farm bill H.R. 7097. Talking with different farmers it doesn't seem that the two-price system is what we need or want.

I'd appreciate it very much if you would use your influence to defeat the two-price system and keep the program we have at the present time.

Thanks.

Truly yours,

A. A. SCHAEFFER.

BEAUMONT, TEX., May 15, 1965.

Representative PAUL JONES.

DEAR SIR: I think the Agriculture Department has firsthand information that could have greatly reduced this for several years now. In fact, the practice of second crops is greatly responsible for rice holdovers.

When the rice acreage was first started, you were given a marketing card to turn in when you harvested the acreage on a field, depending on acres you had. You had a support price on this. There was never a legal support price on the second crop that I know of. The mills just got to the point they didn't ask for your card because the Government didn't ask for them.

The experiment stations were working on second crops, well, some of the farmers started this. Planting early rice, cutting it, and watering the stubble and harvesting the second crop. This is not profitable in all areas. Some land-owners won't permit because it causes a drain on ground and red rice if practiced regular. Most farmers thought this would be stopped, because they were getting the benefit of support on two crops. Then more and more farmers started doing it. Especially in area around Houston where it seems most profitable. Sometimes their yield on two crops went to 40 and 50 barrels to acre. Where other farm areas it's impossible to raise two crops and average is around 21 to 23 barrels (162 pounds).

Mr. Freeman, the man that came to Beaumont, told the farmers that barrels confused him, to talk in pounds or hundredweight. Well, I think its about time the Government sent their men to school. Rice farmers deal in barrels—162 pounds—when they plant, sell, or what they do.

Well now we understand that these (two-crop short-gain farmers) that have already reaped the profit will again since they have collected support price on two crops. Now their yield will be figured on this.

Well the rice that we sell most of at home is long grain, Blue Bonnett, Texas Patna, and Old Style Patna, known as Rexala. This takes longer to grow, more work and costs more money. It is also harder to make a crop on (touchy in other words); this takes the gambling out of farming. Well, our average yield is probably around 23 barrels per acre.

We have only sold two small lots of rice to the Government. This was some that we kept for seeds, and the seeding percentage wasn't high enough after it was dried. It was extra fancy old-style patna.

We sell the rest green weight at the mills. So you see unless you train some people in the rice business you can't possibly understand what you're doing.

Do you think if all the rice is the same support price that we will still raise rice that takes 5 months when we can raise two crops at a higher yield? The difference in the grade and price means the difference in the rice business. Also acreage allotments instead of so many barrels.

There is too much difference in the yield and past practices of the Agriculture Department to start a program with one price for all rice and average barrels percentage instead of acreage.

Would you like to pay the same price for a suit that it took 3 days to make instead of 3 weeks.

Housewives, soup companies, cereal companies, and restaurants like long-grain rice. Are we farming just to promote foreign trade or does U.S. citizens mean anything any more?

I was born on a rice farm in 1918. This is an old story to me. You can save some in land leveling. They have to level over and over. It isn't that profitable to the farmer or the Government.

Thank you if you will really take the time to really study this thing you could put half the farmers in our area on the proverty program. We don't make any more now than the average working in our area. Most of our profit goes back into the business. We pay our own social security insurance, no retirement, no 5-day week and no paid vacations.

My husband could make as much at a local rubber or plastic plant with less work, and more to spend for ourselves.

Thank you.

Mrs. E. A. LESLIE, Sr.,
Route 2, Box 301, Beaumont, Tex.

P.S.—Would be glad to send a sample package long grain and short if you would like.

PROPOSED RICE PLAN—J. BROUSSARD II RAPS PROGRAM IN PANEL MEET

WASHINGTON.—A House Agriculture Committee wound up Thursday a 3-day hearing into the administration's new rice program after hearing it rounding condemned and opposed by a rice millers' group.

The rice industry unanimously opposed the plan. Opposition also came from user and consumer groups.

LONE SUPPORT

The only support for the proposal came from the Agriculture Department and from the National Grange.

At Thursday's final session the Rice Miller's Association, headed by Joe Broussard II, Beaumont, Tex., stated its opposition to the plan, embodied in a farm bill which President Johnson recently sent to Congress.

BROUSSARD TESTIFIES

Broussard told the committee the proposal "would have the rice industry sacrifice its domestic market in favor of export markets, largely the very uncertain food-for-peace program under Public Law 480."

Public Law 480 permits the United States to sell surplus rice to foreign governments for foreign currency. Much rice has been disposed of by this route.

BROUSSARD JOINED

Joining Broussard in presenting the millers' association case were Robert B. Goff, Houston, Tex.; Gordon E. Dore, Crowley, La.; Robert B. Holland, president of the Comet Rice Mills with plants in Texas and Arkansas; and J. P. Gaines, Washington, executive vice president of the association.

The administration proposal embodies a two-price plan for rice through use of certificates similar to the certificate plan now used for wheat.

INCREASE PRICES

Goff testified that the plan would increase the domestic price of rice from 4 to 6 cents a pound. This increase, he said, would fall heaviest on the low-income groups since they use far more rice than does the average family.

Dore said it would be impossible for the Department to enforce a certificate program because of the intricacies of rice milling.

Holland urged alternative ways of reducing costs of the rice program, which the administration insists must be done.

INCREASE MARKET

He said these include increasing the domestic market, stimulating foreign sales for dollars rather than under Public Law 480, expand rice research and development work, and take administration action under the present law.

In closing the hearing, Representative Paul Jones, Democrat, of Missouri, committee chairman, said he is hopeful of having rice industry representatives confer with the Agriculture Department on possible alternate ways of trimming program costs. He said he is particularly interested in the possibility of an increased subsidy to stimulate dollar sales of rice.

(Chairman Jones also received correspondence from the following individuals all opposing the legislation under consideration:)

Vere Rardner, Gridley, Calif.

Henry P. Jones III, manager, chamber of commerce, Post Office Box 869, Stuttgart, Ark.

Andrew Wright, president, Fair Oaks Grain Dryer, Fair Oaks, Ark.

E. E. Hogue, Weiner, Ark.

Clyde J. McCullars, Humphrey, Ark.

J. E. Keithley, Crockets Bluff, Ark.

Luther Locke, Stuttgart, Ark.

Edward Siems, Star Route, Stuttgart, Ark.

G. E. Stewart, Route 1, Post Office Box 235, Wynne, Ark.

Carl D. Yohe, Stuttgart, Ark.

H. S. Ragland, Sr., 309 East Ninth Street, Stuttgart, Ark.

L. M. Ragland, 309 East Ninth Street, Stuttgart, Ark.

W. N. Meins, Route 2, DeWitt, Ark.

Mr. and Mrs. Lloyd Berry, 510 West Second Street, DeWitt, Ark.

Mr. and Mrs. W. N. Hargrove, 2001 South Prairie, Stuttgart, Ark.

Lloyd Rodgers, DeWitt, Ark.

Mr. and Mrs. Jimmy Rogers, Route 1, DeWitt, Ark.

S. Marvin Henderson, Route 1, Box 85, Humphrey, Ark.

Mr. and Mrs. T. D. Smith, DeWitt, Ark.

Mrs. Cora P. Swindlen, Prange Farms, Inc., Crockett's Bluff, Ark.

I. M. Steinberg, 607 Bruce, Wynne, Ark.

Perry Keith, manager, Riceland Hotel, Executive Office, Stuttgart, Ar.

Senator Daniel K. Inouye, U.S. Senate, Washington, D.C.

Everett Knoll, president, Prairie Implement Co., Post Office Box 610, Stuttgart, Ark.

Hon. William S. Mailliard, U.S. House of Representatives, Washington, D.C.

R. A. Fisher, manager, Gibbs & Harris. Rice Drier, Inc., Post Office Box 566, Wynne, Ark.

Ebe Downing, colonel, U.S. Army (retired), Arkansas Irrigation Co., Post Office Box 151 Stuttgart, Ark.

Willard R. Schroeder, Route 2, Stuttgart, Ark.

John P. Allen, Route 1, DeWitt, Ark.

H. C. Adams, president, DeWitt Chamber of Commerce, Dewitt, Ark.

Farmer Heien, Route 2, Stuttgart, Ark.

Nuel B. Shupe, vice president, Layne-Arkansas Co., Stuttgart, Ark.

Hon. Edward R. Roybal, House of Representatives, Washington, D.C.

Ronald G. Franzen, president, Rice Center Supply Co., Post Office Box 890, Highway 719 West, Stuttgart, Ark.

Melvin Hall, Box 241, DeWitt, Ark.

Clarence L. Cobb, Star Route, Stuttgart, Ark.

Clarence Lilly, Sr., Carlisle, Ark.

Hon. A. M. Hayes, house of representatives, State of Arkansas, Little Rock, Ark.

Gene Andrew, Andrew Bros., Box 837, Katy, Tex.

Walter P. Cook, Katy, Tex.

H. F. Seaberg, Box 343, Crosby, Tex.

G. A. Laughlin, Laughlin Farm, 706 Danubina, Baytown, Tex.

H. P. Racen, Route 1, DeWitt, Ark.

(Chairman Jones also received correspondence from the following individuals favoring the legislation being considered:)

Ike Fossett, president, Allen Parish Farm Bureau, Kinder, La.

Mrs. Cora P. Sevindler, Prange Farms, Inc., Crockett's Bluff, Ark.

Mr. JONES of Missouri. Mr. Gathings.

Mr. GATHINGS. Mr. Chairman, at the conclusion of these hearings I would just like to say that these members of the subcommittee, and I am sure that I speak, also, for Mr. Stalbaum and the others, who have been here the past few days, are most appreciative of the manner in which you have conducted these hearings. You have given everyone an opportunity to testify—everyone who came here has been given that privilege—and the chairman has been both fair and reasonable in his rulings. I am grateful to you for the fine manner in which you have presided over these hearings.

Mr. JONES of Missouri. I thank you.

Mr. STALBAUM. I would like to join with my colleague in expressing my appreciation, too. I have served on various committees. I commend the chairman on the excellent way that he has handled the chairmanship of this subcommittee and of these hearings. I think it has been excellent.

Mr. GAINES. May we in the industry join in this commendation.

Mr. JONES of Missouri. If there are no other witnesses to be heard, we will bring the hearings to a close. Is there anyone else out there who wishes to make a contribution? We have announced at each session if any citizen or organization or individual had any statement that they would like to have included in the record that we will leave the record open for a day or two to give them permission to do that.

Mr. BROUSSARD. I just want to express the appreciation of the Rice Millers Association for continuing the hearing over until today, Thursday, because I regret that we were not ready to make our presentation yesterday. We, certainly, appreciate your taking the time this morning to hear us.

Mr. JONES of Missouri. We want to get all the facts that we can on this subject. Of course, after the hearings are printed, we will have an executive meeting of the subcommittee and will make our recommendations to the full committee. And, as I said before, I hope that before the time comes for action on the bill that all of the representatives of the industry will have an opportunity—and I am sure that the Department will welcome such an opportunity—to sit down with the Department and see if you can work out some alternatives that will be agreeable to everybody. If we could reach an agreement between the Department and the industry, I think that would be desirable. If we cannot, why the committee will not shirk its responsibility. I think that with this information that we have received that we can reach a conclusion that will be in the best interests of all of the American people.

The committee stands adjourned.

(Whereupon, at 11 :25 o'clock a.m. the committee adjourned.)



For History:

PL 89-321

WHEAT AND FEED GRAINS

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 7097

(Also H.R. 1595, H.R. 1752, H.R. 2210, H.R. 2252, H.R. 2847,
H.R. 3022, H.R. 3023, H.R. 3138, H.R. 3383, H.R. 3600, H.R. 3720,
H.R. 3829, H.R. 4231, H.R. 4254, H.R. 4401, H.R. 4536, H.R. 4759,
H.R. 4806, H.R. 4961, H.R. 5066, H.R. 5178, H.R. 6019, H.R. 6877)

MARCH 22, 23, 24, 31; APRIL 8, 12, 13, 26, 27, 28, 29;
MAY 4, 10, 13, 18, 19, AND 26, 1965

Serial J

Printed for the use of the Committee on Agriculture



PLEASE RETURN TO USDA
NATIONAL AGRICULTURAL LIBRARY
LAW BRANCH, LEGISLATIVE REPORTING
Rm. 117-E, Admin Bldg.
Wash. D. C. Ext. 4654

WHEAT AND FEED GRAINS

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 7097

(Also H.R. 1595, H.R. 1752, H.R. 2210, H.R. 2252, H.R. 2847,
H.R. 3022, H.R. 3023, H.R. 3138, H.R. 3383, H.R. 3600, H.R. 3720,
H.R. 3829, H.R. 4231, H.R. 4254, H.R. 4401, H.R. 4536, H.R. 4759,
H.R. 4806, H.R. 4961, H.R. 5066, H.R. 5178, H.R. 6019, H.R. 6877)

MARCH 22, 23, 24, 31 ; APRIL 8, 12, 13, 26, 27, 28, 29 ;
MAY 4, 10, 13, 18, 19, AND 26, 1965

Serial J

Printed for the use of the Committee on Agriculture



COMMITTEE ON AGRICULTURE

HAROLD D. COOLEY, North Carolina, *Chairman*

W. R. POAGE, Texas, *Vice Chairman*

E. C. GATHINGS, Arkansas

JOHN L. McMILLAN, South Carolina

THOMAS G. ABERNETHY, Mississippi

WATKINS M. ABBITT, Virginia

PAUL C. JONES, Missouri

HARLAN HAGEN, California

FRANK A. STUBBLEFIELD, Kentucky

GRAHAM PURCELL, Texas

JAMES H. MORRISON, Louisiana

ALEC G. OLSON, Minnesota

SPARK M. MATSUNAGA, Hawaii

MASTON O'NEAL, Georgia

THOMAS S. FOLEY, Washington

JOSEPH Y. RESNICK, New York

LYNN E. STALBAUM, Wisconsin

ELIGIO DE LA GARZA, Texas

JOSEPH P. VIGORITO, Pennsylvania

JOHN C. MACKIE, Michigan

ROLLAND REDLIN, North Dakota

BERT BANDSTRA, Iowa

STANLEY L. GREIGG, Iowa

CLAIR A. CALLAN, Nebraska

PAUL B. DAGUE, Pennsylvania

PAGE BELCHER, Oklahoma

CHARLES M. TEAGUE, California

ALBERT H. QUIE, Minnesota

MRS. CATHERINE MAY, Washington

DELBERT L. LATTA, Ohio

RALPH HARVEY, Indiana

PAUL FINDLEY, Illinois

ROBERT DOLE, Kansas

LAURENCE J. BURTON, Utah

PRENTISS WALKER, Mississippi

RESIDENT COMMISSIONER

SANTIAGO POLANCO-ABREU, Puerto Rico

Mrs. CHRISTINE S. GALLAGHER, *Clerk*

HYDE H. MURRAY, *Assistant Clerk*

JOHN J. HEIMBURGER, *General Counsel*

FRANCIS M. LE MAY, *Staff Consultant*

CONTENTS

WHEAT AND FEED GRAINS (Pages 1-310)

H.R. 2210. A bill to adjust wheat and feed grain production, to establish a cropland retirement program, and for other purposes.....	Page 70
H.R. 4140. A bill to provide for a voluntary wheat domestic parity program.....	77
H.R. 7097. A bill to maintain farm income, to stabilize prices and assure adequate supplies of agricultural commodities, to reduce surpluses, lower Government costs and promote foreign trade, to afford greater economic opportunity in rural areas, and for other purposes.....	119
Summary and section-by-section analysis of H.R. 7097.....	133
List of similar bills.....	38
Statement of—	
Anderson, Alvin, vice president, North Dakota Farmers Union.....	306
Anderson, Hon. John B., a Representative in Congress from the State of Illinois.....	116
Andrews, Hon. Mark, a Representative in Congress from the State of North Dakota.....	81, 106
Cain, Elmo V., Lemmon, S. Dak.....	298
Davidson, Rev. William, Jamestown, N. Dak.....	295
Eddy, Ray, farmer, Jamestown, N. Dak.....	290
Ehlers, Fred G., Hettinger, N. Dak.....	298
Ellsworth, Hon. Robert F., a Representative in Congress from the State of Kansas.....	107
Findley, Hon. Paul, a Representative in Congress from the State of Illinois.....	110
Ford, Ted, Rosebud, Tex.....	193
Garrison, Shirley, Dimmitt, Tex.....	191
Giffey, Donald, representative, House of Representatives, 39th Legislative Assembly, Bismarck, N. Dak.....	310
Graham, Harry L., legislative representative, the National Grange..	41, 53
Hacanson, Gordon, secretary, Garrison, N. Dak.....	310
Halbert, Kenneth, Crowell, Tex.....	192
Harrison, Reuel, president, North Dakota Credit Union League, Jamestown, N. Dak.....	282
Harvey, Hon. Ralph, a Representative in Congress from the State of Indiana.....	74
Hauf, Otto, Max, N. Dak.....	301
Heinkel, Fred V., president, Missouri Farmers Association, Columbia, Mo.....	15
Horning, Anson, president, National Association of Wheat Growers..	63
Hylden, Father L. J., pastor, St. John the Evangelist Church, Grafton, N. Dak.....	278
Jaenke, Ed A., Associate Administrator, U.S. Department of Agriculture.....	146, 161
Johnson, Art O., president, Ward County Farmers Union, Ryder, N. Dak.....	302
Johnson, Reuben, National Farmers Union.....	182
Johnston, W. J., Grafton, N. Dak.....	298
Jones, B. H., associate secretary-treasurer, National Livestock Feeders Association.....	261
Kenfield, Leonard, president, Montana Farmers Union, and member, executive committee and board of directors of National Farmers Union.....	182
King, Carl, Dimmitt, Tex.....	190
Kotara, Ronald, Carson County Farmers Union.....	301

Statement of—Continued

Ladish, Herbert H., chairman, Malting Barley Improvement Association, Milwaukee, Wis.....	Page 270
Latta, Hon. Delbert L., a Representative in Congress from the State of Ohio.....	108
Lemmon Chamber of Commerce, Lemmon, S. Dak.....	299
Letvin, George, implement dealer, Dickinson, N. Dak.....	287
Link, Arthur A., State representative, State of North Dakota.....	303
Lundene, Henry, State chairman of the Federation of North Dakota Production Credit Associations, Adams, N. Dak.....	293
Lynn, John C., legislative director, American Farm Bureau Federation.....	213
McLain, Marvin L., assistant legislative director, American Farm Bureau Federation.....	115
Magdanz, Don F., executive secretary-treasurer, National Livestock Feeders Association.....	58, 261
Meidinger, Roland, banker and real estate executive, national committeeman, Republican Party, Jamestown, N. Dak.....	279
Nelson, Hon. Ancher, a Representative in Congress from the State of Minnesota.....	113
Nelson, D. G. "Bill," executive vice president, Grain Sorghum Producers Association.....	273
Nelson, Morris, president, Amor Farmers Union Local.....	302
Purdy, C. Lowell, Montana commissioner of agriculture.....	239
Radcliffe, Ben, president, South Dakota Farmers Union, member of the executive committee and board of directors of the National Farmers Union.....	185
Schoeder, Lloyd, Hettinger, N. Dak.....	296
Schutte, Alfred, representing the Webster County Farmers, Guide Rock, Nebr.....	245
Shuman, Charles B., president, and Marvin McLain, assistant legislative director, American Farm Bureau Federation.....	23, 243
Simmermon, Mr. and Mrs. Emmett, South Solon, Ohio.....	5
Smith, E. W., president, North Dakota Farmers Union.....	308
Staley, Oren Lee, president, National Farm Organization.....	200
Strayer, George M., executive vice president and secretary-treasurer, American Soybean Association.....	250
West, Clarence, manager, Production Credit Association, Mandan, N. Dak.....	280
Correspondence submitted to the subcommittees:	
California Farm Research and Legislative Committee, Santa Clara, Calif., letter dated April 26, 1965.....	18
Claussen's, Inc., Augusta, Ga., letter of B. D. Trout, dated May 25, 1965.....	68
Crowell State Bank, Crowell, Tex., letter dated April 10, 1965.....	192
Evans Milling Co., Indianapolis, Ind., telegram dated May 3, 1965.....	305
First National Bank in Larned, Larned, Kans., letter of E. H. Roth, vice president, dated March 20, 1965.....	67
First State Bank, Dimmitt, Tex., letter dated April 10, 1965.....	190
Hereford State Bank, Hereford, Tex., letter dated April 30, 1965.....	300
Kansas Farmers Union, Topeka, Kans., letter dated April 19, 1965.....	199
Letvin Farm Equipment Co., Dickinson, N. Dak., letter dated May 4, 1965.....	288
Mercer, Elizabeth R., Winnabow, N.C., letter dated March 30, 1965.....	244
National Catholic Rural Life Conference, Gervais, Oreg., letter dated June 14, 1965.....	17
Pitman Grain Co., Hereford, Tex., letter to Mrs. O. G. Hill, Sr., dated April 30, 1965.....	300
The First National Bank, Bowman, N. Dak., letter of John Rouzie, dated April 30, 1965.....	309
Additional information submitted to the subcommittees:	
"Contact your Congressman to prevent planting soybeans on diverted acres," from Soybean Digest.....	259
Feed grain: Cost per acre to market milo.....	191
"Ohio farmers receptive to Federal plans?," from the Daily Sentinel-Tribune, Bowling Green, Ohio.....	181

Additional information submitted to the subcommittees—Continued	
“Present programs have failed” from the Congressional Record, January, 11, 1965.....	Page 111
Target program adopted by delegates, convention of National Farmers Union, Chicago, Ill., March 15-18, 1965.....	188
Wheat: Average cash market prices No. 2 Soft Red Winter and terminal loan rate at Chicago, Ill. (table).....	170
Wheat pool budget, issued by the Alberta Wheat Pool, Calgary, Alberta, March 5, 1965.....	92
1965 program—proposed 1966 program—1,000 bushels.....	172

RELEASE PRICE—CCC STOCKS (Pages 311-433)

Statement of—	
Allen, Joe, McLennon County, Tex.....	349
Andrews, Hon. Mark, a Representative in Congress from the State of North Dakota.....	311
Graham, Harry L., legislative assistant, National Grange, Washington, D.C.....	325
Hendrickson, Roy F., executive secretary, National Federation of Grain Cooperatives, Washington, D.C.....	389
Jaenke, E. A., Associate Administrator, ASCS, U.S. Department of Agriculture.....	421
Liebenow, Robert C., president, Board of Trade of the City of Chicago.....	381
Lynn, John C., legislative director, American Farm Bureau Federation.....	345
Magdanz, Don F., executive secretary-treasurer, National Livestock Feeders Association.....	338
Nelsen, Hon. Ancher, a Representative in Congress from the State of Minnesota.....	377
Pfingsten, Erhard, vice president, National Farmers Organization.....	413
Redwine, J. C., Bovina, Tex.....	356
Rice, Sam L., Jr., president, Grain & Feed Dealers National Association.....	384
Searles, Robert L., president, Minneapolis Grain Exchange and chairman of the National Grain Trade Council.....	357
Sickles, Harvey, National Farmers Organization, Corning, Iowa.....	413
Correspondence submitted to the subcommittees:	
Alexander, Paul, Moody, Tex., letter dated April 25, 1965.....	351
American Farm Bureau Federation, Chicago, Ill., letter dated April 23, 1965.....	344
American National Cattlemen's Association, Denver Colo., letter dated April 26, 1965.....	380
Bonds Oil Co., Tom M. Bonds, owner, Bovina, Tex., letter dated April 24, 1965.....	356
Farmers Supply Corp., Waco, Tex., letter dated April 26, 1965.....	353
First National Bank of Bovina, Bovina, Tex., letter dated April 22, 1965.....	357
Friona State Park Bank, Friona, Tex., letter dated April 23, 1965.....	356
Fulp, Loy B., Crawford, Tex., letter.....	352
McGregor Chamber of Commerce and Agriculture, McGregor, Tex., letter dated April 24, 1965.....	352
National Farmers Union, Washington, D.C., letter dated April 20, 1965.....	350
National Grange, Washington, D.C., letter dated April 27, 1965.....	338
Parmer County Implement Co., Friona, Tex., letter dated April 23, 1965.....	357
The First National Bank, McGregor, Tex., letter dated April 24, 1965.....	352
The First National Bank of Waco, Waco, Tex., letter dated April 24, 1965.....	353
U.S. Department of Agriculture, Agricultural Stabilization and Conservation Committee, Brown County ASC Committee, Sleepy Eye, Minn., letter dated April 8, 1965.....	379

WHEAT CERTIFICATE VALUES (Pages 435-466)

Statement of—

Creed, Joseph M., general counsel for the American Bakers Association and the Biscuit & Cracker Manufacturers' Association, Washington, D.C.	Page 456
Farrington, Carl C., vice president, Archer Daniels Midland Co., and chairman of the committee on agriculture, Millers' National Federation, Minneapolis, Minn.	435
Kendricks, Ken, National Association of Wheat Growers	464
Mennel, Donald M., president, Mennel Milling Co., Fostoria, Ohio, chairman of the grain and legislative committee, National Soft Wheat Millers' Association	449
Correspondence submitted to the subcommittees:	

Awrey Bakeries, Inc., Detroit, Mich., letter dated April 27, 1965	448
General Mills, Inc., Minneapolis, Minn., letter dated April 26, 1965	449

INDUSTRIAL USERS OF WHEAT (Pages 467-558)

Statement of—

Bor, Robert M., Office of General Counsel, U.S. Department of Agriculture	512
Carlsen, Albert, Idaho Potato Starch Co., Blackfoot, Idaho	540
Clay, John C., National Starch & Chemical Corp., Indianapolis, Ind.	523
Counihan, Donald M., counsel, American Corn Millers Federation, Washington, D.C.	480
Cray, Cloud L., Jr., president, Midwest Solvents Co., Inc., Atchison, Kans.	513, 515
Fisher, Robert S. Keokuk, Iowa	520
Garthoff, Al, assistant to the Deputy Administrator, Commodity Operations, ASCS, U.S. Department of Agriculture	479
Goodman, Richard J., economist, Great Plains Wheat Market Development Association	553
Gordon, William C., Legal Department, Hercules Powder Co., Wilmington, Del.	558
Hellekson, S. H., assistant general manager, Cellulose and Protein Products Department, Hercules Powder Co.	499
Harvey, Hon. James, a Representative in Congress from the State of Michigan	536
Jaenke, Ed, Associate Administrator, Agricultural Stabilization and Conservation Service	555
Kendrick, Ken, executive vice president, National Association of Wheat Growers	537
Kurtz, Charles, National Industrial Products Co., Columbus, Ohio	519
Lewis, Richard, Arapahoe, Nebr.	533
Mewhinney, Fred, Miller's National Federation	547
Scheiter, E. K., president, A. E. Staley Manufacturing Co., Decatur, Ill.	521
Underhill, Wingate, special assistant to the Secretary, U.S. Department of Agriculture	467, 511
Correspondence submitted to the subcommittees:	
Arent, Fox, Kintner, Plotkin, & Kahn, Washington, D.C., letter dated April 26, 1965	535
Hercules Powder Co., Inc., telegram dated April 27, 1965	503
Kurtz, C. J., telegram dated April 23, 1965	503
Midwest Solvents Co., Inc., telegram dated April 28, 1965	503
National Industrial Products Co., Columbus, Ohio, letter dated April 21, 1965	495
Wheat Products Co., telegram dated April 27, 1965	503

CROPLAND ADJUSTMENT (Pages 559-673)

Statement of—	Page
Bean, Louis H., economic analyst.....	630
Dennis, Robert T., assistant conservation director, Izaak Walton League of America.....	657
Godfrey, Horace D., Administrator, ASCS, U.S. Department of Agriculture.....	559
Graham, Harry L., legislative representative, the National Grange...640,	644
Hall, Hon. Durward G., a Representative in Congress from the State of Missouri.....	589
Heidelberg, Frederic H., executive vice president, North Carolina Cotton Promotion Association and Uplands Cotton Growers, Inc..	604
Johnson, Reuben, National Farmers Union.....	613
Kendrick, Ken, National Association of Wheat Growers.....	661
Kimball, Thomas L., executive director, National Wildlife Federation..	650
Magdanz, Don F., executive secretary-treasurer, National Livestock Feeders Association.....	667
Poirot, E. M. "Gene", Golden City, Mo.....	590, 597
Smith, Dr. Spencer M., Jr., secretary, Citizens Committee on Natural Resources.....	668
Correspondence submitted to the subcommittees:	
Carolinas Cotton Growers Association, Raleigh, N.C., telegram dated May 13, 1965.....	666
Christensen, K. L., Hettinger, N. Dak., telegram dated May 12, 1965..	666
Hendershott, L. S., Mercersburg, Pa., letter dated May 27, 1965.....	673
Land Resources Committee, International Association of Game, Fish, & Conservation Commissioners, Denver, Colo., letter with recommendations dated March 29, 1965.....	670
Letvin Farm Equipment Co., Dickinson, N. Dak., telegram dated May 12, 1965.....	667
Old Cotton Belt Association, Taylor, Tex., telegram dated May 13, 1965.....	666
South Texas Cotton Improvement Association, Inc., Victoria, Tex., telegram dated May 13, 1965.....	666
Sport Fishing Institute, Washington, D.C., letter dated May 11, 1965..	659
State of Wisconsin, Conservation Department, Madison, letter dated April 8, 1965.....	670
Wildlife Management Institute, Washington, D.C., letter dated May 11, 1965.....	671
Additional information submitted to the subcommittees:	
Resolution No. 18—National Wildlife Federation, 29th annual convention, Washington, D.C., March 5-7, 1965.....	652
Soil Bank Blues, from the Wall Street Journal, June 30, 1959.....	617
The Lisbon Story, from the Fargo (N. Dak.) Farmers Forum, February 17, 1961.....	620

TRANSFER OF ALLOTMENTS (Pages 675-731)

Statement of—	
Burleson, Hon. Omar, a Representative in Congress from the State of Texas.....	715
Coan, Lyndell F., De Leon, Tex.....	707
Davis, Oral, farmer, Rising Star, Tex.....	710
Godfrey, H. D., Administrator, ASCS, U.S. Department of Agriculture.....	675
Graham, Harry L., legislative representative, the National Grange, Washington, D.C.....	696
Heidelberg, Frederic H., Raleigh, N.C.....	701
Johnson, Lewis J., president, Arkansas Farmers Union.....	704
Johnson, Reuben, National Farmers Union.....	711
Kizer, E. O., president, Kizer Telephone Co., Inc., and vice president of Rising Star Development Corp.....	708

Statement of—Continued

Lawrence, A. C., Apex, N.C., representing the North Carolina State Grange-----	Page 693
Maddin, H. W., Hamlin, Tex-----	706
Magdanz, Don F., National Livestock Feeders Association-----	730
Reagan, Sydney C., general counsel, Southwestern Peanut Shellers Association-----	718
Schlegel, Norbert B., Shamrock, Tex-----	706
Tyler, W. E., president of First State Bank, Rising Star, Tex-----	709
Walker, E. A., De Leon, Tex-----	711
Correspondence submitted to the subcommittees:	
Butler Texaco Station, Rising Star, Tex., telegram dated May 17, 1965-----	709
Minnesota Farmers Union, St. Paul, Minn., letter dated March 29, 1965-----	713
Montana Farmers Union, Great Falls, Mont., telegram dated March 29, 1965-----	712
Naman, Jay, telegram-----	712
North Carolina Peanut Growers Association, Inc., Rocky Mount, N.C., letter dated May 15, 1965-----	730
Shults Implement Co., Rising Star, Tex., telegram dated May 17, 1965-----	709
South Dakota Farmers Union, Huron, S. Dak., letter dated March 29, 1965-----	713
West, Marion E. and Marjorie L. West, Rising Star, Tex., telegram dated May 17, 1965-----	708

WHEAT AND FEED GRAINS

MONDAY, MARCH 22, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FEED GRAINS,
AND THE SUBCOMMITTEE ON WHEAT OF
THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, at 10:05 a.m., pursuant to notice, in room 1310, Longworth House Office Building, Hon. W. R. Poage (chairman of the Subcommittee on Livestock and Feed Grains) presiding.

Present: Representatives Poage, Purcell, Stubblefield, Olson, Vigorito, Redlin, Bandstra, Greigg, Belcher, and Dole.

Also present: Christine S. Gallagher, clerk; and Robert Bruce, assistant counsel.

Mr. POAGE (presiding). The subcommittee will please come to order.

We are met this morning to consider wheat and feed grains and problems in respect thereto, rather than to consider any specific legislation.

We will want to see what we can do. Rather than go into any specific aspect at this present time, we will go into the broad aspect first. I wonder who there is present this morning who wants to be heard, those who want to give their views on this grain situation. There are a lot of people who are interested, whose views we would be interested to hear this morning. And if you have any suggestions to give to the committee we will be glad to have them.

I do not have any list of witnesses. I do not want to insist that anybody be heard when you are not prepared, but unless we find some volunteers to talk to us when we have the time, we are not going to have the time to hear you in detail, as some of you would like to be heard later on. Everybody cannot be accommodated at once—everybody cannot come in and simply rebut the testimony of somebody else. If there is anyone who is interested in feed grains or in wheat, genuinely interested, rather than simply trying to disprove something that somebody has suggested, we would be glad to hear you this morning.

I do not want to impose on the members' time or on the visitors' time. I am going to suggest that the committee is going to begin hearings—we are going, probably, to be compelled to do so, but I want everybody here this morning to know that we cannot wait until everybody wants to testify, and then have everybody testify in 1 day and give them all the time that they want. We are not going to give everybody all the time that they want when they do not want it at a time that is convenient for the committee.

I think it is unfortunate that we have so many matters pressing on our Government today and presenting problems to the departments of the Government. With all of the activities going on, such as in Alabama, as well as in other places, so that everybody realizes, as usual, agriculture cannot make the most impressive case to get the proper consideration. And, frankly, it is going to get less and less consideration as we see the results of the Supreme Court decisions as we have. I do not think that we are getting enough consideration now, and I think that we are getting more now than we will get next year, and more than we will get 3 years hence. It is inevitable. Because when we adopt as a philosophy that the interests of our people are not to be considered, then you are not going to get very much consideration for agriculture.

Mr. BELCHER. In the 14 years that I have been on this committee, it has been the custom to hear from the Department first. We have the Department here. If they are not ready to make their recommendations I suggest that we not hold the hearings until they are ready; if they are not going to volunteer at this time when people have not come here prepared to state their views.

Mr. POAGE. You will find that we have a large number of people who will have plans entirely different from those of the Department. They have them now. I would think that some of these people would be interested in expressing their views to us. Again, I would say that if anybody wants to be heard we will be glad to hear you this morning. If you want to be heard tomorrow, you will have an opportunity to be heard. But if everybody wants to wait until the Department has testified, I do not know when that will be. The committee is not going to subpoena anybody to testify.

Mr. BELCHER. May I suggest that we not call these meetings and set aside a whole morning, and have to come over here to find out that we have nobody to testify.

Mr. POAGE. Mr. Belcher, if I had it in my power to do something to offset the attention that is being given to other matters, that would be very fine, but I do not have that power.

Mr. BELCHER. I suggest that everybody, perhaps, who wants to testify, is maybe in Alabama, in the march.

Mr. POAGE. I am only suggesting that there may be those who have a greater interest in Alabama and in Vietnam than they have in feed grains and wheat. I think that will continue to be the situation. This is not the first time that we have postponed these hearings. These hearings were set before, but I am not going to leave this committee in the position of saying that it is responsible for the failure to make any progress in connection with wheat and feed grains. We are going to give everybody who is interested an opportunity to work on this bill. If the Department is ready tomorrow morning, we will hear them. If the Department is not ready and the Farm Bureau wants to be heard, we will hear them. If the Farmers Union wants to be heard, we will hear them. If the National Grange wants to be heard, we will hear them; or any other organization that wants to be heard. If you do not want to be heard we will not insist that you be heard.

The committee will now stand adjourned until tomorrow morning at 10 o'clock, and if anybody wants to be heard then I will appreciate

it if you will call Mrs. Gallagher, the clerk, in the meantime and advise her that you want to be heard and we will set up a program here. If we do not have anybody, why, we will postpone the hearings.

The committee will stand adjourned.

(Whereupon, at 10:15 a.m., the subcommittees were adjourned, to reconvene at 10 a.m., Tuesday, March 23, 1965.)

WHEAT AND FEED GRAINS

TUESDAY, MARCH 23, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FEED GRAINS,
AND THE SUBCOMMITTEE ON WHEAT OF
THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittees met, at 10 a.m., pursuant to recess, in room 1310, Longworth House Office Building, Hon. W. R. Poage (chairman of the Subcommittee on Livestock and Feed Grains) presiding.

Present: Representatives Poage, Purcell, Stubblefield, Olson, Foley, Redlin, Bandstra, Greigg, Callan, Latta, Harvey of Indiana, and Dole.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; and Robert C. Bruce, assistant counsel.

Mr. POAGE. The subcommittees will please come to order.

I do not know how far we are going to be able to go this morning. We have several witnesses on this witness list. The first is Mr. Nelson. I do not believe Mr. Nelson is here as yet.

Next we have Mr. Simmermon and Mrs. Simmermon. Mr. Simmermon has previously testified before the committee.

We will be glad to hear you now, Mr. Simmermon.

STATEMENT OF MR. AND MRS. EMMETT SIMMERMON, SOUTH SOLON, OHIO

Mr. SIMMERMON. Mr. Chairman and members of the House committee, I want to thank you for the privilege of testifying before you again.

The purpose of this farm statement is to give the farmers a fair income equable with the nonfarmers and with less governmental cost.

We use corn as the basis for study and formulating agricultural programs. Corn is produced in every State of the Union except Alaska, the total bushels are approximately the same as the total bushels of wheat, oats, barley, rye, and soybeans each year and around 90 percent of the U.S. utilization of corn is fed.

The statement to remove all but 1 million farmers is perplexing to both the rural and urban people.

The soil's structure, contour, location, and size must be considered for the crop production.

"Census of Agriculture, 1959, Table No. 4: Corn for All Purposes—Farms Reporting by Acres Harvested, Using Medium Acres." Farms 10 acres and less harvested were 92 percent or 2,037,805 more acres than

the farms harvesting 400 and more acres. Farms harvesting 99 acres and less harvested 43 percent or 15,053,391 more acres than the farms harvesting 100 and more acres. Farms with 500 acres and under represented around 42 percent cropland. Farms with 1,000 acres and over represented around 11 percent cropland.

The majority of the small farmers with a tractor, machinery, some livestock, automobile, radio, or television are mostly subsistent, with very few economic problems or welfare cases. Can we mold the small hill and valley farms into one agricultural unit?

This is from the 1959 census, table No. 4, "Corn for All Purposes," reporting by acres harvested.

The first column there has listed the acres. Then we took the average of those acres. And next is the corn farmer. You multiply the corn farms with that average, and it gives the estimated total acres.

And in the last column is the percent of all of those.

If you look down, you will find that the small farmer produces more than the large farmers.

Then going to the next table, which is headed "Do We Need the Small Farmer?" this consists of the commercial farms and the size of farms in value of sales. The farms with \$40,000 or more in value of sales, have 25.8 percent of the acres, and the farms under \$40,000 have 74.2 percent of the acres.

In the cropland harvested, the large farms have 15 percent and the small farmers 85 percent.

Then with reference to cattle and calves, the large farms had 22.8 percent, and the small farms had 77.2 percent.

And in the milk cows the large farms had 9.4 percent and the small farms had 90.6 percent.

Now, as to hogs and pigs, the large farmers had 9 percent, and the small farmers had 91 percent.

And with reference to sheep and lambs, the large farms had 31.7 percent and the small farms had 68.3 percent.

In tractors, the large farms had 10 percent and the small farms had 90 percent.

And in motortrucks, the large farms had 12.4 percent and the small farms had 87.6 percent.

The farms with sales of \$40,000 or more, their average percent for the above eight farm items was 17 percent.

The farms with sales under \$40,000, their average percent for the eight above items was 83 percent.

When and what would we eat without these small farmers' production?

Mrs. SIMMERMON. Around the middle of the Eisenhower administration his economists stated they were moving the small farmer with lower farm prices, giving the larger farmer a fair income later from less farmers. We disagreed, telling him we had attended many farm sales in Ohio, Indiana, and Illinois and the 25- to 40-year-old farmers with their modern machinery were selling out, and the census books would give the answer. Two days later a large trailer load of census books were burned.

The farmer's average age now is over 55 years and around 100,000 of the 25- to 40-year-olds are quitting the farm each year.

The major farm problems are not too many farmers but they are: (1) the farmers working around 60 hours a week for survival are producing more than our needs; and (2) the farmers are not receiving a fair price for their labor and capital investment.

For correction (1) each farmer would divert from production the USDA estimated percent of acres that creates the surplus without a Government payment; and (2) each farmer would receive a support price for the USDA estimated needed production, representing their labor and capital that would be on an equable basis with the non-farmers.

The USDA increasing and decreasing the estimated percent of the needed crop acres each year would give the U.S. population the necessary food supply and no burdensome surplus problem with normal weather.

Mr. SIMMERMON. These are the cash receipts from farm marketings, less the farm production expenses and the capital charge which give the farmers and their family no cash income from farming.

The cash receipts for 1960 from farm marketings was over \$34 billion.

The farm production expenses were \$26,200 million.

And the capital charge was \$11,500 million.

They had a deficit of \$3,700 million.

In 1961 the deficit was \$3,500 million.

And in 1962 the deficit was \$4,100 million.

And in 1963 the deficit was \$4,600 million.

An extra \$1 per bushel for the average 3.8 billion bushels of corn produced in the above years would give the farmers an income approximately equal to their farm production expense and the capital charge, but will give no income for their labor from farming.

Mrs. SIMMERMON. It is a USDA established fact that the farmers, after deducting their farm production expenses and capital charge from their cash receipts from farm marketings did not have anything left for their labor or their free family labor for the years 1960, 1961, 1962, 1963, and 1964.

An extra dollar per bushel added to the average 3.8 billion bushels of corn produced in the above years would give the average farmer the approximate results: no income and no loss.

No rural or urban group will exist very long living from their capital investment.

France with a lower standard of living than the United States support their farmer's corn price at \$2.30 per bushel.

West Germany with a higher standard of living support their farmer's corn price at \$3.02 per bushel.

The United States, the wealthiest country on the globe, support their farmer's corn price at \$1.25 with the above results—\$3.02 corn and other grains, livestock and milk with comparable prices, still would not give the farmers an income equable with the nonfarmers but it would enable the 25-to 40-year-old farmers to continue farming.

The farmer's corn price should be supported to give the rural and urban people an equable income, based on their capital and labor. The other grains should be supported comparable to their feed value to corn.

For example: (1) If the support price of corn was \$3.02 per bushel the other grains' feed value price would be approximately thus:

Sorghum

	Corn	Barley	Oats	Grains	Wheat	Soybeans
Bushel.....	\$3. 02	\$2. 32	\$1. 60	\$2. 72	\$3. 32	\$4. 01

Wheat, a major surplus problem, could now be fed.

For example: (2) For the continued normal supply of meat and milk with the above grain prices, the cattle, hogs, and milk price should be supported approximately thus:

Hundredweight

Cattle supported at 13½ ratio to corn, 600 to 900 pounds.....	\$40. 77
Hogs supported at 12 ratio to corn, 190 to 210 pounds.....	36. 24
Milk supported at 16 cents per quart.....	7. 44

The grain, livestock, and dairy farmers would take the USDA estimated percent of the surplus building acres of grains, hay, pasture, and grazing land from production without payment. The farmers would receive a fair support price for the USDA estimated needed production giving them an income equable with the nonfarmers for their labor and capital.

The cost of a farmers' subsidy or direct payment is several times more expensive than a support price which should save the U.S. Government over a billion dollars, giving the farmers and the Government a more simplified and just farm program.

An improved support price feed grain program would give the large influential, and the small, farmer a fair price for the necessary production, instead of them receiving a subsidy or a direct payment for what they stated they produced to their ASC committee.

A graduated monthly grain support price would keep the grain dealers buying the grains instead of them increasing the CCC stock.

For example, 7-acre production increase; 327 pounds of seeds required to plant 1 acre each of the seven crops—corn, oats, barley, sorghum grains, soybeans, Winter wheat, and hay from average production increased to 15,023 pounds or 4,594 percent.

After the farmers received a fair price equable to the nonfarmers for the first or test year, if some crops, livestock, or dairy products production were excessive, next year, with an added program of prorating one-half the surplus disposal cost back to the farmer-producer, he naturally would produce more of the needed agricultural products.

The farmers diverting 60 to over 100 million acres from production without payment and receiving a fair income gives the President what he stated he wanted.

Mrs. SIMMERMON. We would appreciate any questions that you would like to ask.

Mr. POAGE. Thank you very much. Are there any questions?

If there are no questions, we are very much obliged to you. We appreciate your interest and your presentation.

It seems to me that you have a very constructive statement. I do not understand how you would guarantee this at a certain price without some kind of Government payment, which I understand you oppose,

or perhaps it would end up in Government warehouses and you would keep it there, but I certainly agree with the idea that you would have to bring supply in line with demand. If people are willing to do it, obviously it can be done, but I think that Congress has pretty well expressed its views that they do not want to undertake it.

Mrs. SIMMERMON. We believe that we do need some controls, just like you go down the street you need a green light to regulate traffic and we would have the Government cut out the number of acres across the board that would cause the surplus. That would be necessary the first year and then the next year they could go up and down accordingly, and in that way it would help to get us back into balance.

It seems that the farmer is clear out of kilter. We say, "What are you giving at the market?"

And then we ask, "How much do you want for your tractor?"

And you know how much difference there is, what it was when we were getting maybe \$1.80 per bushel for corn and paying just about one-half as much for tractors. The tractors and those things have gone up and we have gone down. And we think that our Government, since it is of the people, should take this initiative and say that a bushel of corn, for instance, should be around \$3, because that would make our income equal with the others. And I remember hearing Franklin Delano Roosevelt say over the radio some time ago, "You cannot exist half slave and half free." And that certainly is true. These farmers cannot exist long by going into their capital investment.

We have done a wonderful job, we think, of feeding and clothing the Nation. We ask the U.S. Government to come to our aid, to help get us started again by taking out these acres across the board and giving us a price for what is consumed, a price for our product, and then as a safety valve, if we overproduce to prorate that cost production back to the farmer; that is, one-half of it to the farmer.

And if you will get your paper and pencil, that figures out very nicely. It is not hard at all on the farmer. And I think that the city Congressmen would go along with us on that; that is, the ones that we have talked to agree that it is a business proposition.

We would like the farmers to unite, say, \$3 for corn and know what they are uniting on.

Mr. POAGE. What I did not understand is how you would get that \$3.

Mrs. SIMMERMON. The question is: How do you get the \$3 corn?

Mr. SIMMERMON. That would be on the support price.

Mr. POAGE. The Government would make a loan as it does today—that would be the support? Are you going to make a payment? What are you going to do? How will you get that \$3?

Mr. SIMMERMON. How do you get the support price? I cannot hear you too well.

Mr. POAGE. How do you propose to have the Government support it, through a loan or through a payment, or what do you propose?

Mr. SIMMERMON. No; by loan.

Mr. POAGE. By loan.

Mr. SIMMERMON. The support price is a loan. That is the difference between it and a subsidy. The subsidy is where you give the farmer \$1,000 to take out so many acres. You have got to take that off of some taxpayer. And the cost of administration would be 20 percent on top of that. But if you give the farmer a loan and he does not pay the loan off, the Government takes the corn and sells it.

The only loss would be the difference between what the Government paid for it and what the Government sold it at. And that would be very small for this, much smaller than a direct payment.

Mr. POAGE. You have had direct payments.

Mr. SIMMERMON. Well, no, most of your programs are direct payments and subsidies. They are not support price.

Mr. POAGE. Mr. Simmermon, we have had direct payments and subsidies in sugar and wool, but not in these other programs, until the last few years. It is true that in the last few years under our grain program we do have some payments. We had a straight loan program for many, many years and it has been extremely costly.

Mr. SIMMERMON. You mean you have had these on sugar, peanuts, and those crops?

Mr. POAGE. Not on peanuts. But we have had a direct loan program on most of our commodities for years.

Mr. SIMMERMON. He said that we had a direct loan.

Mr. POAGE. A nonrecourse loan.

Mrs. SIMMERMON. A nonrecourse loan.

Mr. SIMMERMON. That is on the feed grains?

Mr. POAGE. That is on feed grains. That is on cotton, that is on wheat, and on rice—that is on tobacco.

Mr. SIMMERMON. I never produced any rice or cotton, so I do not know.

You gave a farmer a support price on your feed grains, partly, and then you give him direct payment for taking out so many acres. That is a direct subsidy. In our program, why, you would have a support price—he would take the acres out of production. For this payment and the subsidy that you give the farmer, why, the farmer takes those acres out without payment.

Mr. POAGE. We never required the corn farmers to do anything until recent years, as you will recall. We gave him a loan without any requirement about marketing quotas. They did not have any.

Mr. SIMMERMON. I know that they did not have any program.

Mr. POAGE. And it was at a tremendous cost; was it not?

Mr. SIMMERMON. It was not equal with some of the rest of these gentlemen, based on the capital investment and labor.

Mr. POAGE. What?

Mr. SIMMERMON. The corn farmers, the grain farmers' income was not up equal to that of the cotton farmers and some of the others based on capital investment and labor.

Mr. POAGE. Do you have any basis to substantiate that statement?

Mr. SIMMERMON. Why, yes.

Mr. POAGE. Do you have any facts to substantiate that?

Mr. SIMMERMON. Yes. I do not know whether I have them here with me.

Mr. POAGE. I will be glad to see those figures, because that is so contrary to everything I have always understood. It is so contrary to every figure I have ever seen—everything that I know of, as a matter of fact.

Mr. SIMMERMON. I can get those figures for you and will get them for you.

Mr. POAGE. I wish you would do so.

Mrs. SIMMERMON. I think that we have the books right here from the U.S. Department of Agriculture in this bag. I think that it would show them.

Mr. POAGE. That is, the average income of a corn farmer compared with the average income of a cotton farmer. I think that would be very interesting. I do not know what it is. I do not question your veracity, but I do not think that is a fact. I do not know. It may not be.

Mr. SIMMERMON. You could use the same program on corn.

Mr. POAGE. That is not what I am talking about. Let us stay with the proposition I am talking about. You made the statement, and I think that the basis of a lot of our trouble is a complete misunderstanding of the facts. Now, maybe you are right; maybe I am misunderstanding. If you have those figures that show that the income of the corn farmer is much lower—much lower than the cotton farmer, and that is what you said it was——

Mr. SIMMERMON. I think so.

Mr. POAGE. I just want to see those figures, because I do not believe that is the case. Now, I am not questioning your statement, please understand. I am simply saying that I do not think that is the statistical situation.

Mr. SIMMERMON. I have a book back home that shows that. And I think that I can get one from the Department along that line.

Mr. POAGE. I think it would be most interesting. And I think that we should put it in the record.

Mrs. SIMMERMON. I think that if you would ask Mr. Charles Cobb at the Parity Income Section, I think that he will verify that the farmer has not been receiving anything for his labor.

Mr. POAGE. I am perfectly aware of that. I am only questioning your statement as to the comparative income of the corn farmer and the cotton farmer. The statement was, as I understood it, that the corn farmer had for years been making much less than the cotton farmer. That was the statement.

Mrs. SIMMERMON. Did you make the statement that the corn farmers had made a lot less than the cotton farmers?

Mr. SIMMERMON. Yes, as a whole.

Mr. POAGE. That is what I understood you to have said, but that is exactly what I am talking about and what I understood—that is what I think that we should clear up here.

Mrs. SIMMERMON. We do not want the cotton farmers to make all they can.

Mr. POAGE. I am not talking about what anybody wants. I am only talking about the facts of the case right now. I am only talking about when we come here and make statements that the cotton farmer has been making all of this big money, I do not understand that. I have never seen it, and I have been in cotton all of my life.

Mrs. SIMMERMON. I would not say that any farmer is making big money, corn or wheat farmers, or whatever he is, because they are not making much more on their capital investment.

Mr. POAGE. You are charging that the corn farmers make much less than the cotton farmers. That was your statement.

Mr. SIMMERMON. They did make less than the cotton farmers.

Mr. POAGE. I am not trying to say what the facts are. And so you are repeating it. Let us get the facts. That is all I am asking about. Let us get the facts and put them in the record.

Mr. SIMMERMON. I did not write anything on the cotton farmers.

Mr. POAGE. Please, now, let us put this in the record and get it clear because I think that there is a whole lot of misunderstanding by people coming in and making statements of that kind. They believe them. I am certain that you believe what you are saying. But if they are not true, then I think that we will come to erroneous conclusions. Let us put in the actual average income of the cotton farmer and the corn farmer, what it has been over the last 10 years.

Mrs. SIMMERMON. We did not mean to bring that out.

Mr. POAGE. That is in the record.

Mrs. SIMMERMON. We do want to prove that the corn farmer——

Mr. POAGE. May I just suggest that what I am asking you to do is to put in the record tomorrow morning what the actual average annual income of the corn farmer has been in the last 10 years and what the actual average income of the cotton farmer has been in the last 10 years. I am willing to take the Department's figures. I am not asking for your figures or mine. I am asking for the Department's figures.

Mrs. SIMMERMON. I do not have the figures here.

Mr. POAGE. I do not ask you to have them here. I understand that you do not have them here.

Mr. SIMMERMON. I do not have them for the last 10 years but I can get the figures for the last 4 or 5 years.

Mrs. SIMMERMON. I am sorry. I beg your pardon. His hearing aid batteries have gone bad and he is at a disadvantage. We will find out what you want and try to comply with your request in the morning.

Mr. SIMMERMON. We did not want otherwise than to have all of the farmers based on the same program that we are asking for here, whether cotton or peanuts or whatever they are as farmers, based on the capital investment and the labor that they have in this and that would make them all equal. There would not be any distinction among any of them.

Mr. POAGE. Let us put those in the record in the morning and then we will have the facts.

(The information referred to above follows:)

Crop		Yield per acre	Unit price	Gross income per acre
Cotton.....	pounds.....	524.0	\$0.301	\$157.82
Corn.....	bushels.....	67.3	1.09	73.35
Wheat.....	do.....	25.1	2.00	50.20

NOTE.—Crop production 1963. Annual summary, agricultural prices, Jan. 15, 1964.

Mr. POAGE. Are there any other questions? If not, we are very much obliged to you.

Mrs. SIMMERMON. Could I read another part of my statement, or our statement, here.

Mr. POAGE. I thought that you were through. We will be perfectly glad to have you do so.

Mrs. SIMMERMON (reading) :

We left the lords and barons
In the lands across the sea ;
We braved the wild tumultuous oceans
For a land of liberty.
We planted in the hills and plains
The seeds for daily bread ;
We laid our hearths and built our roofs
To cover well our bed.
We dug long in the wilderness
And combated pest and beast ;
And then with friends and foes alike
We sat down to a feast.
Upon our food and fiber
And our shoulders stooped with toil
We built our civilization
The finest of them all.
Let us guard well our heritage
Our farmers' way of life ;
And help each one a sovereign king
And the farmer's queen, his wife.

THE HUNDRED THOUSAND

O that horrid landlord
How he loves his power
As he drives his jeep
In the earliest hour
To arouse the poor serfs
As in days of old
To fill his bins full
Of living gold.
What does he care
For the child sick in bed
Or his brother and sister
Without any bread ?
He wants more power
He wants more land
With a hard grasping hand
He is a greedy man.
The upper 100,000 or more lords and barons.

Mr. POAGE. Thank you.

The tables contained within your statement will be made a part of the record at this point.

(The three tables, consisting of three sheets follow :)

The cash receipts from farm marketings, less the farm production expenses and the capital charge, gives the farmer and their family no cash income from farming

1960

	<i>Billions</i>
Cash receipts from farm marketings-----	\$34. 0
Farm production expenses-----	26. 2
Capital charge, \$191.9 at 6 percent-----	11. 5
Deficit-----	<u>3. 7</u>

The cash receipts from farm marketings, less the farm production expenses and the capital charge, gives the farmer and their family no cash income from farming—Continued

1961

Cash receipts from farm marketings-----	34.9
Farm production expenses-----	27.0
Capital charge, \$191.1, at 6 percent-----	11.4
Deficit-----	3.5

1962

Cash receipts from farm marketings-----	36.1
Farm production expenses-----	28.3
Capital charge, \$199, at 6 percent-----	11.9
Deficit-----	4.1

1963

Cash receipts from farm marketings-----	36.9
Farm production expenses-----	29.2
Capital charge, \$205.4, at 6 percent-----	12.3
Deficit-----	4.6

NOTE.—An extra \$1 per bushel for the average 3,800,000,000 bushels of corn produced in the above years would give the farmers an income approximately equal to their farm production expense and the capital charge, but will give no income for their labor from farming.

DO WE NEED THE SMALL FARMER?

Commercial farms: Size of farms in value of sales

	1,000 acres	Percent	Cropland harvested	Percent
\$40,000 or more-----	251,748	25.8	44,375	15
Under \$40,000-----	725,528	74.2	251,103	85
	Cattle and calves	Percent	Milk cows	Percent
\$40,000 or more-----	19,460,332	22.8	1,452,065	9.4
Under \$40,000-----	66,071,492	77.2	13,934,656	90.6
	Hogs and pigs	Percent	Sheep and lambs	Percent
40,000 or more-----	5,731,948	9.0	9,902,620	31.7
Under \$40,000-----	58,046,513	91.0	21,333,262	68.3
	Tractors	Percent	Motor trucks	Percent
\$40,000 or more-----	394,632	10.0	276,798	12.4
Under \$40,000-----	3,552,288	90.0	1,957,414	87.6

NOTE.—The farms with sales of \$40,000 or more, their average percent for the above 8 farm items was 17 percent; the farms with sales under \$40,000, their average percent for the 8 above items was 83 percent. When and what would we eat without the small farmers' production?

1959 census, table No. 4, corn for all purposes, reporting by acres harvested
(using medium acres)

Acres	Average	Corn farms	Estimated total acres	Percent
Under 5.....	2½	325,735	814,337	0.9
5 to 10.....	7½	456,049	3,420,368	4.0
11 to 15.....	12½	219,584	2,744,800	3.3
16 to 19.....	17½	89,874	1,572,795	1.8
20 to 24.....	22½	140,319	3,157,177	3.7
25 to 49.....	37½	371,682	13,938,075	15.3
50 to 74.....	62½	213,733	13,358,312	15.9
75 to 99.....	87½	120,914	10,579,975	12.5
100 to 149.....	125	125,646	15,705,750	18.7
150 to 199.....	175	44,065	7,711,375	9.2
200 to 299.....	250	26,783	6,695,750	7.8
300 to 399.....	350	6,171	2,159,850	2.6
400 to 499.....	450	1,987	894,150	1.1
500 or more.....	750	1,737	1,302,750	1.7

NOTE.—Farms 10 acres and less harvested were 92 percent or 2,037,805 more acres than the farms harvesting 400 and more acres. Farms harvesting 99 acres and less harvested 43 percent of 15,053,391 more acres than the farms harvesting 100 and more acres. Farms with 500 acres and under represented around 42 percent cropland. Farms with 1,000 acres and over represented around 11 percent cropland.

Mr. POAGE. Who else do we have here? We have listed Mr. Nelson. I do not believe that he has come in yet.

Do we have others who want to testify this morning?

I can only say, as I did yesterday, that those who want to testify this morning will have the advantage of having a little wider latitude in the matter of time than we will have tomorrow. We have a number of witnesses scheduled for tomorrow. We have Mr. Charles Shuman, of the American Farm Bureau Federation, Harry Graham, of the National Grange, Don F. Magdams, executive secretary-treasurer of the National Livestock Feeders Association and Anson Horning, president of the National Association of Wheat Growers.

Now, I take it that none of those want to be heard this morning.

Is there anybody else who wants to be heard?

I am going to suggest that tomorrow we will hear the names on the list.

Did Mr. Johnson say that he wanted to be heard tomorrow? I thought he did. Anyhow, we will put him on the schedule. And only after these witnesses have been heard will we take up the others who are present this morning and who want to wait to testify, and we will hear them only as time allows.

If there are no further witnesses, the public session is adjourned until 10 o'clock in the morning.

(The following statement and letters were also submitted to the subcommittees:)

STATEMENT OF FRED V. HEINKEL, PRESIDENT, MISSOURI FARMERS ASSOCIATION,
COLUMBIA, Mo.

Mr. Chairman and members of the committee, with your permission I am asking a member of our staff, Mr. L. C. Carpenter, to present my statement to you today.

As president of the Missouri Farmers Association, a farm organization of over 155,000 farmer members, I wish to make this statement in support of the proposals contained in H.R. 7097.

I will, however, recommend in this presentation some changes as well as some additions to the existing proposals which we think will be beneficial to farmers.

We have made some progress in the improvement of farm income, and in the reduction of surplus feed grain supplies with the programs that have been operating during the past 4 years.

The continuation of this program with modifications and improvements will continue to help increase farm income. It will also assure the American people that they will still have an abundance of food and fiber at a reasonable cost, and we are hopeful that this legislation will help reduce somewhat the cost of the farm programs to the taxpayer.

As we see it, the new proposals provided for under H.R. 7097 will give added flexibility and dimension to farm commodity programs. We believe the following results would be forthcoming:

(a) Encourage greater use of the marketplace to bring a fair return to farmers in domestic and export sales, and by placing less reliance on tax dollars.

(b) Assist small farmers through express provisions that will enable them to earn a better income with their present resources.

(c) Enable other small farmers with the capacity and desire for growth to acquire the resources they need for an adequate size family farm operation, while allowing those who wish to earn a living in areas other than farming, or more specifically those who wish to retire, to receive a fair and just compensation for their land.

(d) Provide for long-range adjustments in agricultural resources, recognizing that the need for balancing the supply of farm commodities with the demand will be the end result in years to come.

We believe that the provisions contained in title I relating to wheat are very desirable. By increasing the value of domestic marketing certificates it will unquestionably put more cash in the farmers' pockets. It has been conservatively estimated that this provision alone will add at least \$150 million to producer returns. It is alleged by some that this provision will be a "bread tax." This charge borders on demagogery, and I disagree with it. It may be necessary for the price of bread to increase slightly, but it should be remembered that the price of bread has gone up materially during the past 10 years while the price of wheat to the farmer has gone down.

Under title II—Feed Grains: We believe the provision as contained in this section will provide for the continuation of a successful program and will serve to insure that farmers will continue to receive a better return from their production.

Title III—Rice: Missouri is not recognized as a primary rice-producing State, however, from the information available to us, we feel that a marketing certificate program similar to wheat would be an effective program and be beneficial to both the producer and the consumer.

Title IV—Wool: We support the principals as contained in this title, believing that growers will have an additional income from incentive payments and, furthermore, that the small family farmer would have proportionately larger benefits.

Title V—Cropland Adjustment: We believe it is imperative that a long-term crop adjustment program be made available to farmers who wish to retire or under certain other circumstances where they wish to live on the farm and be gainfully employed elsewhere. We further concur with the provision that the limitation by county is of great importance in order that the economy of this local area will not be adversely affected.

Title VI—Transfer of Allotments: We support the principle of transfer of allotments. However, we must admit that there is considerable apprehension among our members as to the manner in which this provision would be carried out. The apprehension is occasioned by the family farmer's fear of large landowners "gobbling up" basic allotments, as well as the fear of corporate farms being established to take advantage of this provision.

We would recommend that a provision be incorporated to provide that the local ASCS Committee must approve any transfer of allotments. We believe this would offer sufficient safeguard to alleviate the fears as outlined above.

We notice that cotton is conspicuous by its absence in this legislative proposal. It is our understanding that cotton producers themselves have been unable to date to reach a common ground for basic legislation. Cotton is an important crop in our State even though it is grown in only seven counties. It is the second largest cash crop in Missouri. Cotton provisions we feel must

be included in this legislation, and we will support any reasonable cotton proposals that will at least maintain present income to cotton producers.

We notice also that dairy legislation is equally as conspicuous by its absence. The members of the Missouri Farmers Association, thousands of whom are dairymen, urge the inclusion of dairy legislation. We favor continuation of the present price support program and urge legislation providing for a class I base plan for use by producers of fluid market milk.

We urge the continuation and the expansion of the PIK program which would not only assure the continuing removal of price-depressing stocks of Government storage, but a program which would also be aimed at developing long-term markets for U.S. dairy products in world trade.

We further urge that a program including marketing orders be made available by legislation so that dairy farmers producing manufacturing milk could, by referendum, apply the same marketing management techniques that are now available to fluid market milk.

We, however, make two exceptions to the provisions of H.R. 7079:

1. We strongly recommend that this legislation be enacted for at least a 4-year period which will give farmers an opportunity to plan on a longer term basis.

2. We are very much opposed to the proposal which would authorize the Secretary of Agriculture to allow production of soybeans diverted from production of wheat and feed grains. The 1964-65 soybean supply is in close balance with expected disappearance for the year. The carryover at the end of the marketing year is expected to be quite small. In other words, supply and demand are working in close relationship and prices are strong. There are adequate acres that can be devoted to soybean production when and if the need arises without the utilization of diverted acres which could destroy the present desirable balance between supply and demand. If this were enacted into law, we feel that Secretary Freeman would probably exercise good judgment in the utilization of this provision, however, as you know, Secretaries come and go.

In conclusion, I again want to reiterate our support for the proposals contained in H.R. 7097 with the exception of those items noted above. We believe that this type of a program will continue to strengthen the income of farmers; will continue the orderly reduction of surplus grain stocks; will continue to provide the American people with an abundance of food and fiber at reasonable prices; will reduce the cost of farm commodity programs and will in the end enable agriculture to compete more effectively in world markets.

We still contend that the Nation's economy is dependent upon a healthy agriculture and without adequate income farmers cannot continue their high level of purchases of goods and services that is so vital to all areas of business from main street to the industrial center.

NATIONAL CATHOLIC RURAL LIFE CONFERENCE,
Gervais, Oreg., June 14, 1965.

COMMITTEE ON AGRICULTURE,
House of Representatives,
Washington, D.C.

MY DEAR CONGRESSMAN: This past week I spent 3 days in Washington, D.C., emphasizing to Department of Agriculture, FHA, and to as many Members of the Congress as I could, the critical circumstances in which the smaller family farms presently find themselves. Unless Congress comes to their assistance in a practical and helpful way other tens of thousands of farm families will be forced off their land and homes. The United States stands to lose the most important element in rural America so necessary not only in our economy but in our society and in the American way of life.

I am not speaking about the farm families trying to live on definitely "submarginal" land. I am referring to the smaller diversified yet practical farms. This may mean 90, 120, or 160 acres, depending on the quality of the soil, markets, etc.

Contributions made by the farm family: much of our growing generation call it their home where they learn work, responsibility, initiative. They receive a high school education. The farm family supports the rural schools (saving billions of dollars to the city dweller), the rural church, smaller town business,

and rural market roads. He pays taxes on both his land and dwelling. Expensive criminals do not come from farm families.

It seems that at present subsidy, as applied, makes the big bigger and the rich richer. Yet to these people the soil is only an instrument to make money—not a place to build a home.

Members of Congress told me that they see no way of applying subsidy to the family farm, but possibly direct payments might be made. We are now told that an income of \$2,000 is poverty, \$3,000 on the verge of poverty. I am not a rural economist. However, think of the expenses the smaller farmer has: machinery, insurance, education, health, etc. The corporation farm, even the large family farm is subsidized.

Gentlemen, let us not drive the farm families from the land into the ranks of welfare or unemployment in the overcrowded cities. Assisting the farm family is social justice as well as practical economy. Do you consider a net income of about \$6,000 fair when you consider all expenses that have to come out of this? They have a "cutoff" and why not a "cutoff" for the big fellow? We guarantee labor a minimum wage, we like to give a "living wage." Why not give the farm family the possibility of a decent living? Beyond that the American taxpayer owes no one.

The time for constructive action is "this Congress."

Sincerely,

Rev. ALCUIN HEIBEL, O.S.B.,
Director, State of Oregon.

CALIFORNIA FARM RESEARCH AND LEGISLATIVE COMMITTEE,
Santa Clara, Calif., April 26, 1965.

Re position of the California Farm Research and Legislative Committee on H.R. 7097, the Food and Agriculture Act of 1965.

Hon. HAROLD D. COOLEY,
Chairman, Committee on Agriculture,
House Office Building,
Washington, D.C.

MR. CHAIRMAN AND MEMBERS OF THE HOUSE COMMITTEE ON AGRICULTURE: On April 6, 1965, our committee wrote you a short, preliminary statement expressing our opposition to such sections of H.R. 7097 as would delegate authority for a "pass through" to cover adequate returns to farm producers, in full or in part to consumers at the retail level, stating that we felt this constituted shifting responsibility from the middleman for his part in the spread between farmer and consumer.

Since, at that time we were not in receipt of the text of H.R. 7097, and therefore were not in position to evaluate the provisions of the overall measure, we asked that the record be kept open, not only to document our position on the proposed "pass through," but to express our views on those portions of the Food and Agriculture Act of 1965 pertaining more directly to enabling the commercial family-type farmer to receive a net income for his year's investment, labor and skill, more nearly comparable to that enjoyed by nonfarm business in similar investment brackets.

Your reply, dated April 12, 1965, enclosed a copy of H.R. 7097 and stated: "I shall be pleased to have an expression from your organization to be embodied in our committee hearings * * *." Thank you for this privilege.

It is our understanding that there will be numerous amendments to H.R. 7097, such as the inclusion of H.R. 6983, introduced by Representative Joseph Y. Resnick, Member of Congress, 28th District, New York, providing for a nationwide marketing order for table eggs, which we support as imperative; and probably additional amendments proposed by farm organizations such as the National Farmers Union.

Also, we have a substantial number of ricegrowers who are members of our committee or cooperating with us in many fields, and we have asked them to give us their views on those portions of H.R. 7097 relating specifically to that commodity. Therefore, we are reserving any expression at this time on title III, rice, except for our position on the "pass through."

We have just received a copy of your committee print: "Food Costs—Farm Prices," an impressive document which throws additional light on many phases of the farm problem hitherto unavailable in one concise compilation.

We note that you have sent this publication to members of the National Commission on Food Marketing and its staff. I am sure that the material so ably documented will be of great value to the Commission when it opens hearings on reasons for the increase in retail food margins in Washington, D.C., May 5-8.

The fact that the Commission is studying the marketing system for bakery and cereal products seems to strengthen our position that it would be prejudicing the findings of this investigation to authorize a "pass through" on wheat and rice at this time.

The facts, historically detailed in your study: "Food costs—Farm prices" showing that "retail food prices have increased 31 percent in the past 17 years," while "prices received by farmers have declined 15 percent," should dispel the misconceptions on the part of too many uninformed persons that the average commercial farmer has "waxed fat at the Federal tax trough."

The breakdown of tax dollars allocated by the Federal Government to so-called farm programs, showing the amount actually spent on farm price supports and what is allocated for consumer, business, and foreign aid, on page 19 of your report, should be widely circulated. It is high time that we place these programs where they belong—as public benefits: those dealing with foreign relations and defense; sale of surplus agricultural commodities for foreign currencies under title I of Public Law 480; emergency famine relief to friendly peoples under title II of Public Law 480; domestic food distribution including the food stamp plan, the school lunch and special milk programs.

When that is understood we shall be free to deal with the basic farm problems on their own merits with full parity of income for commercial farm families as the ultimate goal. Per capita net farm income, at the shameful "record high" of \$3,642 average can certainly no longer be tolerated (p. 21 of your report).

An average, of course, means that the under \$3,642 per year families are definitely underprivileged. How many of these families are included in the 20 percent of our national population with deficient diets, as described by Leon Keyserling in his study: "Agriculture and the Public Interest," is difficult to ascertain.

"It is true," he says, "that some farm families today grow some of the food which they consume, instead of purchasing it with dollar income. Yet the farm family has to purchase much of its food if it wants the varied and attractive diets which others also desire. The farm family no longer builds its own house, nor weaves its own clothes; it has to pay as much as others for medical care, education, insurance, automobiles (and motor vehicles are essential to the operation of any farm business, my comment); household durables, travel, and vacations. The frequently heard statement that the cost of living is very much lower on the farm is really an observation that the level of living is very much lower on the farm * * *." What is true for farmers generally, is doubly true for those who grow specialized commodities, where everything the family eats, with the exception of fruits or vegetables or livestock raised, must be purchased at the constantly escalating retail price. Obviously, one cannot eat cotton, feed grains, or sugarbeets.

Lest the above statement may be misinterpreted, let me state, for the record, that our committee has, since its inception in 1941, supported every constructive measure for upgrading the incomes and the diet of the underprivileged millions of our people—farmers and nonfarmers.

We are in agreement with the objectives of the rural areas development program and its emphasis on making rural America the kind of place enjoying economic opportunities, housing, roads, schools, and living standards which our national wealth and technology can surely provide.

We opposed ending the food stamp plan program in 1943 and have vigorously campaigned for its reinstitution and expansion, including a study made by Dr. Bernice Madison, professor of social work, San Francisco State College, based on the experience of 27 California county welfare directors, October 1957-July 1958, entitled: "The Impact of the 1957-58 Inflation-Recession on California's Public Assistance Recipients."

The conclusion of the study was that the use of the food stamp plan would be of considerable benefit in upgrading the food budgets of such recipients. In April 1958 California had a total of 617,112 of such recipients. The figure today is close to 1 million, in addition to persons of low income eligible for food stamps under present legislation.

In his statement supporting H.R. 7097 before your committee on April 6, 1965, Secretary of Agriculture Orville Freeman used a figure of \$1,400 a year spent by an average family of four for food which he stated was about 19 per-

cent of total spendable income. This would make the average annual income of a family of four about \$7,000 a year. Mr. Freeman used these averages to justify his support for the President's proposal to transfer a large portion of essential parity payments to wheat and rice growers "to the marketplace."

The facts of life are that as spendable income increases, the percentage spent for food decreases. And since at least one-fifth of the people in this Nation—some 38 million individuals—by President Johnson's own message on poverty, delivered to the Congress, March 16, 1964—fall in the "below \$3,000 family income class"—it is necessary to estimate "spendable income for food" for these families, not at 19 percent, but more nearly at 50 percent, of their total income for all purposes.

This \$3,000 a year figure approximates total allotments by the San Francisco Department of Social Welfare for an average family of four. This average is made up of one adult; one girl or boy between the ages of 13 and 17; one child between the age of 7 and 12; and one infant, as follows:

Total living allotment (per year) -----	\$2, 988
Food allotment (per year, 48 percent) -----	1, 380

Welfare department administrators feel that an additional \$25 a month is actually required to achieve a minimum adequate diet. This they hope to achieve, if possible, through enabling legislation at the State level so that every California county could be made eligible for this program. But Federal appropriations would provide for only four "average" counties in 1965 and no more than seven in 1966. This leaves out recipients in 51 counties.

Sidney Margolius, quoting USDA home economics data, states in the April 22, 1965 issue of the Machinist "Most moderate-income families of four or five persons, with aftertax incomes of \$400 to \$600 a month, need to keep their food bills within 25 to 30 percent of income if they are to have enough money for other needs * * *."

"Larger families," Margolius states, "have to allot a bigger slice of income for food."

Using USDA's own figures, therefore, most moderate income families use from 25 to 30 percent of their spendable budgets on food, rather than the 19 percent referred to by Secretary Freeman. And, Margolius adds: "not for soaps, paper goods, beer, or other nonfood items usually bought at supermarkets * * *."

And it appears doubtful whether this percentage could be maintained under the proposed "pass through" for wheat and rice products.

"The greatest divergence between farm and retail prices in the 17-year period, 1947-49 and 1965 has occurred between the farm prices of wheat and the retail prices of bread, other bakery, and cereal products" the report on "Food costs—Farm prices" states on page 6.

"The farm price of wheat" it continues, "including marketing certificates after July 1, 1964, had dropped 9 percent, and the retail prices of cereals and bakery products have increased 45 percent * * *."

When city families purchase bread or prepared cereal products, they pay mostly for processing, packaging, and distributing the product; very little goes to the farmer for raw materials. For example * * * the pound loaf of bread that sold at retail for an average price of 20.7 cents in 1964 contained wheat having a farm value of 2.5 cents * * *."

As we understand the proposed "pass through" plan, millers would purchase wheat certificates for that portion of the crop destined for domestic consumption at a cost of \$1.25 per bushel (60 pounds). An additional \$1.25 per bushel would reach the wheat producer as price support, making a total price to the producer of \$2.50 per bushel for wheat sold for domestic use. (This is only 45 percent of total U.S. wheat production.)

The miller would be expected to regain his extra cost from his first customer. Each processor or handler down the line would do likewise, until the ultimate retail consumer is reached. She would pay an estimated average increase of 1 cent retail for a pound of bread (too large a portion of which is now air).

Hopefully, the law of supply and demand would regulate each "take" in this process. Viewing the 17-year history of the spread between the producer of wheat and the consumer of bread with its 45-percent escalation, we are not so hopeful. We prefer to await the findings of the National Commission on Food Marketing to determine if there are undue inequities in the price spread of this and other commodities before supporting any "pass through," especially for commodities which form the staples in the diets of our lower income families, including lower income farm families.

We maintain that all increases in the retail cost of food are bound to restrict the variety and adequacy of food purchased by families on an inflexible budget. With increases in the cost of staples, meat, milk, fruits, and vegetables will suffer.

It is comfortable to feel that the average \$7,000-a-year family, by accepting the increased cost of wheat and rice products, is contributing to the financing of the badly needed antipoverty program. However, the greatest losers will be the moderate-income families; the unemployed who have exhausted their benefits; those on public assistance whose food budgets are circumscribed by boards of supervisors on the basis of available tax dollars.

In evaluating the adequacy of H.R. 7097 to meet the needs of the majority of California's 65,000 commercial specialty farm commodity producers, it is necessary to point out that the bill in its present form applies only to wheat, rice, and wool.

In regard to wheat, California production is less than 1 percent of national volume. Diversion of wheat acreage into feed grains would have even less impact.

For rice, where California produces 22 percent of the national crop, diversion would be almost impossible.

The proposed support price for compliance with acreage adjustments or diversion for both rice and wheat is left to the discretion of the Secretary of Agriculture with a 65 percent of parity floor.

California woolgrowers are satisfied with provisions of present legislation, which President Johnson himself said was working well in his January 4 message to Congress. They feel that the amendments to the National Wool Act of 1954 embodied in H.R. 7097 will disrupt their current program and consider the proposed extension from the current March 31, 1966, to December 31, 1967, much too short a period for planning and stability.

A bill, S. 994, introduced by 44 Senators, including Senators Thomas H. Kuchel and George Murphy, of California, meets their requirements. A 4-year extension of the present act would doubtless meet with their approval.

California ranks third in national wool production. Our committee feels that when a national commodity association as well as our own California Association make their position known on the basis of 10 years of experience, the USDA should give this position consideration. We favor enactment of S. 994 rather than the amendments in H.R. 7097.

The essentials for an adequate national farm program should be to provide an annual net income for producers of all commodities on a comparable basis. Those commodities which are storable, such as cotton, require one type of legislation; sugarbeets, another. Special provisions to overcome gross inequities in supports for class II and III milk, including changes in purchases of class I milk by the military where States have their own controls, are long overdue.

For commodities such as eggs and poultry, enabling legislation as proposed in H.R. 6983 is necessary.

Regardless of the formula used, the end result should assure the commercial farm family a net income of no less than \$5,000, an average which would lift the present \$3,642 referred to in the House committee report, 40 percent. In short, the average farm net income in this United States has been 40 percent less than the very moderate \$5,000 sum we propose. This is hardly affluence, but it should enable a farm family to enjoy a standard of living and working conditions in line with today's rich economic potential.

A support price to insure this potential may also require marketing restrictions. In such cases we propose that any restrictions be so placed as to exempt the smaller investment operators who must utilize full production capacity to survive.

From the experience of 25 years, we expect many months of hearings and testimony with varied viewpoints before H.R. 7097 reaches the floor for vote. Such deliberations are in the best traditions of our democracy. Following further consultation with our officers and commodity directors, we shall offer you our final appraisal.

Sincerely,

GRACE McDONALD,
Mrs. Grace McDonald,
Executive Secretary.

(Whereupon, at 10:30 a.m., the subcommittees recessed to reconvene at 10 a.m., on Wednesday, March 24, 1965.)

WHEAT AND FEED GRAINS

WEDNESDAY, MARCH 24, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FEED GRAINS,
AND THE SUBCOMMITTEE ON WHEAT OF
THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittees met, at 10:05 a.m., pursuant to recess, in room 1310, Longworth House Office Building, Hon. W. R. Poage (chairman of the Subcommittee on Livestock and Feed Grains) presiding.

Present: Representatives Poage, Purcell, Olson, Foley, Redlin, Bandstra, Greigg, Callan, Quie, Latta, Harvey of Indiana, Findley, and Dole.

Also present: Representatives Vigorito and Mackie.

Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimburger, general counsel; Robert C. Bruce, assistant counsel; and Francis LeMay, consultant.

Mr. POAGE (presiding). The subcommittees will please come to order.

We are met this morning to further consider the feed grains and wheat legislation.

We have with us this morning Mr. Charles B. Shuman, president of the American Farm Bureau Federation, as our first witness. We are very delighted to have you here and we will be glad to hear from you now, Mr. Shuman. It is always a pleasure to have you come before us.

Mr. SHUMAN. Thank you, Mr. Chairman.

I have with me Mr. Marvin McLain, assistant legislative director.

Mr. POAGE. We are glad to have you here, too, Mr. McLain.

STATEMENT OF CHARLES B. SHUMAN, PRESIDENT, AND MARVIN McLAIN, ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. SHUMAN. Mr. Chairman and members of the subcommittees, we appreciate the opportunity to present our views on the need for changes in the current wheat and feed grain programs.

You have acted wisely in calling joint hearings on wheat and feed grain legislation. These crops are so interrelated and so interchangeable that they should, by all means, be considered together when legislation is recommended by this committee.

Farm Bureau is an organization of farm and ranch families with over 1,647,000 member families in 49 States and Puerto Rico. A large percentage of our members produce either wheat or feed grains. Many

produce both or can interchange wheat and feed grains as warranted by profit opportunities.

Our members believe that the feed grain and wheat problems are closely related and that action affecting either also will affect the production and prices of livestock, dairy, and poultry products. We should keep continually in mind the fact that roughly two-thirds of U.S. cash farm receipts are derived from livestock, dairy, and poultry production. We must make sure that any action that is taken with respect to wheat and feed grains will not adversely affect this large and important area of our agricultural economy.

The committee has before it various wheat and feed grain bills, as well as recommendations from the President and the U.S. Department of Agriculture which would continue present programs with a few modifications. We would like to give you our appraisal of these programs and then offer some constructive alternatives.

We are confident that our proposals for completely voluntary programs will be well received by farmers, will help to raise farm income, and will be far less costly, much less complicated to farmers, simpler to administer, and much more effective than present programs.

OUR APPRAISAL OF THE CURRENT FEED GRAIN PROGRAM

We are now marketing the fourth crop produced under a feed grain program which was originally launched as a temporary "emergency" measure in 1961. Changes have been made in the original program, but these are matters of detail.

Since the current authorization for this program expires with the 1965 crop, a thorough review of its accomplishments, shortcomings, and costs would appear to be a first order of business.

Here are some of the facts that merit consideration:

(1) The feed grain carryover has been reduced, but it is still excessive.

We have here a table showing the marketing years beginning with 1960 through 1964. While there has been some reduction in carryovers, the amount has varied. In 1963 there was a substantial increase in the production total and, of course, the utilization has been up.

(The table entitled "Carryover, Production, and Utilization of Feed Grains, Marketing Years 1960-64" follows:)

Carryover, production, and utilization of feed grains, marketing years 1960-64

[In million tons]

	Marketing year beginning in—					
	1960	1961	1962	1963	1964	1965
Carryover.....	74.6	84.7	71.8	63.9	68.7	56
Production:						
Corn.....	109.4	101.5	101.8	114.6	99.4	
Grain sorghum.....	17.4	13.4	14.3	16.4	13.7	
Barley.....	10.3	9.5	10.5	9.7	9.7	
Oats.....	18.5	16.2	16.3	15.7	14.1	
Total.....	155.6	140.6	142.9	156.4	136.9	
Utilization:						
Domestic.....	133.2	136.7	134.2	133.3	131.4	
Exports.....	12.7	17.3	16.8	18.7	18.7	
Total.....	145.9	154.0	151.0	152.0	150.1	

Mr. SHUMAN. The net reduction in the carryover for the 4-year period, 1961-64, is estimated at 28.7 million tons or about one-third of the record stocks on hand at the beginning of the 1961 marketing year. The indicated 1965 carryover of 56 million tons is higher than that reported for any year prior to 1958. Such a carryover is excessive from the standpoint of the farmers who produce feed grains, as it is sufficient to give the CCC an undesirable and dangerous degree of control over the feed grain market. In announcing the 1965 program, the USDA indicated that a further reduction in stocks is desired.

(2) The feed grain program should not be credited with the full reduction in carryover stocks.

Part of the reduction in stocks reflects reduced production of oats—a crop that is not under the program; part reflects effects of adverse weather in 1964 crop yields; and part reflects increased utilization. The increase in utilization resulted from increased exports which are not attributable to the program and an increase in domestic feed use which was achieved in large measure at the expense of lower livestock prices.

It has been argued that reduced production under the feed grain program stopped the buildup in carryover in 1961 and 1962. On the other hand, it should be noted that feed grain production reached a new all-time high of 156.4 million tons in 1963—the third year of the program—and that this record crop resulted in an increase of almost 5 million tons in the carryover.

Feed grain production dropped to 136.9 million tons in 1964; however, this drop reflects the effects of unusually dry weather in major corn and grain sorghum producing areas.

Even with the reduction in 1964 yields, there would have been a net increase in feed grain stocks for the 4-year period of the feed grain program if it had not been for increased utilization and reduced production of feed grains not covered by the program.

Then we have on the next page an analysis which rather forcibly brings this fact out. The figures on line 6 indicate that the change in the carryover, due to the feed grain program, was relatively insignificant. In fact, line 5 gives the net effect of the reduction in the production of crops not covered by the program, plus increased utilization. And you see the change in the carryover is due to these two factors.

(The table entitled "Factors in the Reduction of Feed Grain Stocks" follows:)

Factors in the reduction of feed grain stocks

[In million tons]

	Marketing year beginning in—				Total for 1961-62	Total for 1961-64
	1961	1962	1963	1964		
1. Change in carryover	-12.9	-7.9	4.8	-12.7	-20.8	-28.7
2. Change in production from 1960 of crops covered by program:						
Corn	-7.9	-7.6	5.2	-10.0	-15.5	-20.3
Grain sorghums	-4.0	-3.1	-1.0	-3.7	-7.1	-11.8
Barley		.2	-.6	-.6	.2	-1.0
Total	-11.9	-10.5	3.6	-14.3	-22.4	-33.1

Factors in the reduction of feed grain stocks—Continued

[In million tons]

	Marketing year beginning in—				Total for 1961-62	Total for 1961-64
	1961	1962	1963	1964		
3. Change in production from 1960 of crops not covered by program:						
Barley.....	-.8				-.8	-.8
Oats.....	-2.3	-2.2	-2.8	-4.4	-4.5	-11.7
Total.....	-3.1	-2.2	-2.8	-4.4	-5.3	-12.5
4. Change in utilization from 1960 marketing year.....	8.1	5.1	6.1	4.2	13.2	23.5
5. Net effect of reduction in production of crops not covered by program and increase in utilization on carryover.....	-11.2	-7.3	-8.9	-8.6	-18.5	-36.0
6. Change in carryover due to feed grain program (item 1 minus item 5).....	-1.7	-.6	13.7	-4.1	-2.3	7.3

Mr. SHUMAN. (3) The feed grain program has contributed to higher yields which have tended to offset the effects of acreage reductions, particularly in the case of corn.

As the following figures indicate, the upward trend in corn yields has accelerated under the feed grain program.

From the last 4 years you can see from those figures in this table on corn yields that the stimulus has been there to increase the yield of corn.

(The table entitled "Feed Grain Yields Per Acre" follows:)

Feed grain yields per acre

[In bushels]

Year	Corn	Sorghum grain	Barley	Year	Corn	Sorghum grain	Barley
1957.....	48.3	28.8	29.8	1961.....	62.0	43.8	30.6
1958.....	52.8	35.2	32.3	1962.....	64.2	44.2	35.1
1959.....	53.1	36.0	28.3	1963.....	67.6	43.3	35.1
1960.....	54.5	39.8	30.9	1964.....	62.1	41.1	37.8

Mr. SHUMAN. The feed grain program has contributed to higher yields in a number of ways.

The price guarantees provided by the program have been high enough to encourage increased use of fertilizer and other yield-boosting practices. Although market prices might well have been higher under the type of program Farm Bureau is recommending, farmers will generally produce more for a guaranteed price than they will for an uncertain market price at the same, or even a higher, level. Program payments—particularly those made at or near planting time—have helped to finance the increased use of fertilizer and other production aids.

Participants have been permitted to divert their poorest cropland. The productivity of the "diverted acres" has been improved by rest and fertility-building conservation practices. And the year-to-year nature of the program has made it possible to divert different acres in succeeding years where this is to the producer's advantage.

(4) The program has increased potential feed grain acreage as well as yields per acre.

And here is a table which shows that the acreage planted, while somewhat reduced from 1960 is in large part offset by the acreage signed up, which added together gives the total feed grain acreage potential which has been built up and stimulated under the program. It has built up a fictitious feed grain base, in fact.

(The table entitled "Feed Grain Acreage, 1960-64" follows:)

Feed grain acreage, 1960-64
[In million acres]

	Crop year				
	1960	1961	1962	1963	1964
Acreage planted ¹	148.5	129.3	125.4	130.7	123.0
Acreage signed up.....		26.7	32.7	25.7	34.3
Total, feed grain acreage.....	148.5	156.0	158.1	156.4	157.3

¹ Includes corn, sorghum grain, oats, and barley.

Mr. SHUMAN. It is apparent from these data that the potential acreage of the four principal feed grains is around 9 million acres greater than the acreage planted the year before the program became operative. Thus, instead of encouraging farmers to shift land that is not needed for feed grain to other uses, the program has significantly increased capacity to produce feed grains.

(5) The feed grain program has been extremely expensive. Over a 4-year period this program has cost \$3,671 million in payments to farmers and several additional millions in administrative expenses.

Direct Government outlays for diversion and price-support payments have been as shown in the table below.

This table shows the cost by years, with a total of \$3,671 million for the 4 years.

(The table entitled "Payments to Feed Grain Producers" follows:)

Payments to feed grain producers
[In millions of dollars]

	Diversion payments	Price-support payments	Total
1961.....	782		782
1962.....	843		843
1963.....	463	383	846
1964.....	924	¹ 276	¹ 1,200
4-year total.....	3,012	659	3,671

¹ Estimated.

Mr. SHUMAN. The following two tables and we call your attention to these. The "Feed Grain Payments to Producers Per Acre Diverted" is contained here.

I would point out that this is the national average and individual cases in the corn-producing area have reached far above this average.

I received an offer through the mail to pay me \$85 per acre for my own feed grain diversion acreage.

The second table consists of "Feed Grain Payments to Producers Per Bushel," et cetera.

This table shows for each bushel of corn, or its equivalent, that production was reduced for each bushel the cost to the Federal Government was approximately \$3.65 on the average for the 4 years.

(The tables entitled "Feed Grain Payments to Producers Per Acre Diverted" and "Feed Grain Payments to Producers Per Bushel of Corn-Equivalent Reduction in the Carryover" follow:)

Feed grain payments to producers per acre diverted

Crop year	Acres diverted ¹	Payments to farmers ²	Average payment per acre diverted ^{2 3}
1961-----	26,700,000	\$782,000,000	\$29.29
1962-----	23,700,000	843,000,000	25.78
1963-----	25,700,000	846,000,000	32.92
1964-----	34,300,000	1,200,000,000	34.99

¹ From final signup reports.
² Includes price support payments for 1963 and 1964 since these payments were in reality an additional payment for acreage diversion.
³ Since the acreage actually diverted was somewhat smaller than that shown by the final signup reports, this column understates the payments per acre. On the basis of revised diversion data payments per acre amounted to \$31.03 in 1961, \$29.89 in 1962 and \$34.53 in 1963. Comparable data are not available for 1964.

Feed grain payments to producers per bushel of corn-equivalent reduction in the carryover

Crop year	Payments to farmers ¹	Reduction in carryover		Payments per bushel of corn-equivalent reduction in carryover ¹
		Tons	Bushels of corn-equivalent	
1961-----	\$782,000,000	12,900,000	454,000,000	\$1.72
1962-----	843,000,000	7,900,000	283,000,000	2.98
1963-----	846,000,000	+4,800,000	+169,000,000	-----
1964-----	1,200,000,000	12,700,000	483,000,000	2.74
4 years, 1961-64-----	3,671,000,000	28,700,000	1,006,000,000	3.65

¹ Includes price support payments for 1963 and 1964 since these payments were in reality an additional payment for acreage diversion.

Mr. SHUMAN. (6) The sale of Government stocks to keep a lid on market prices—which is part and parcel of the feed grain program—is destructive of the market system.

The use of CCC stocks to depress market prices is an essential part of the present feed grain program for two reasons. First, it forces a substantial "voluntary" participation. Second, it prevents any substantial rise in market prices which would make it more difficult for supporters of the program to defend the large payments made to cooperators.

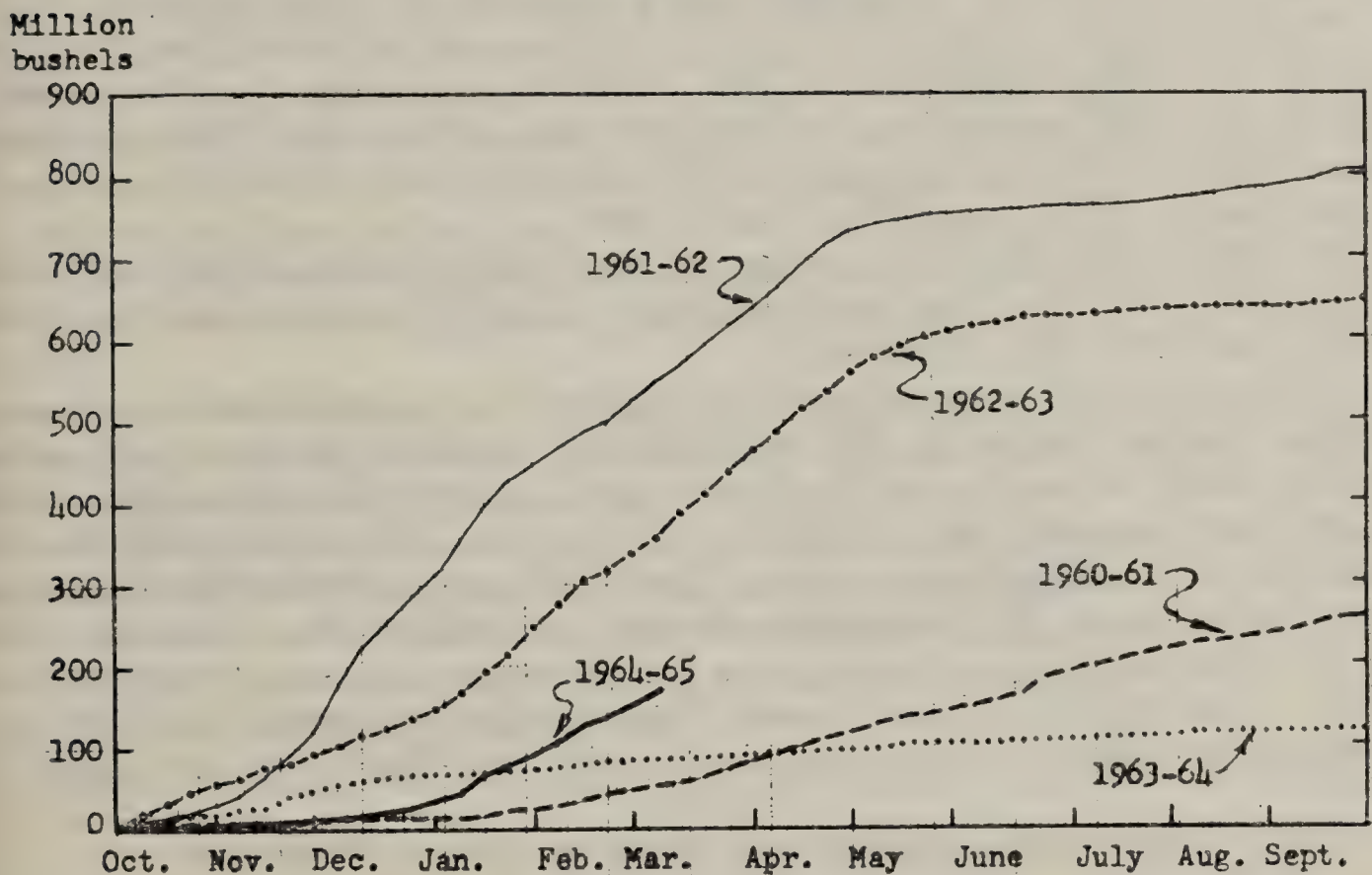
CCC sales were a dominant factor in the market in the 1961 and 1962 marketing years as is indicated by the chart below. Such sales were drastically curtailed last year, probably as a result of low cattle prices although it is not unusual for the CCC to restrict its sales in an election year. In any case, Government sales are again on the increase. Sales

from the beginning of October through March 5 of this year were almost twice as high as in the same period a year ago.

And the chart dramatically illustrates the dumping of Commodity Credit Corporation corn on the market in 1961-62, 1962-63, as a means to force the prices down. Actually, it is a very unfair type of operation to the farmers, because the effect of this is to depress farm prices.

(The chart entitled "Cumulative Weekly CCC Sales of Corn for Domestic Use, Marketing Years, 1960-64" follows:)

Cumulative Weekly CCC Sales of Corn for Domestic Use,
Marketing Years, 1960-64



Mr. SHUMAN. A policy of using Government stocks to prevent natural market price increases penalizes both cooperators and noncooperators in poor crop years when producers need higher prices to make up for reduced output.

If it were not for the stocks accumulated under past programs and the CCC's policy of selling these stocks at the loan rate, the current price of corn would be considerably higher than it is. In the 1947 marketing year, when the corn crop was 808 million bushels lower than in the previous year, corn prices increased by an average of 63 cents per bushel. The 1964 crop was 543 million bushels smaller than the 1963 crop, but corn prices averaged only 5 cents per bushel above year-earlier levels in the first 5 months of the 1964 marketing year.

(7) The present feed grain program was not designed as a permanent program.

The sponsors recognized that the program would be costly; however, they apparently hoped that it would pave the way for the adoption of a less costly compulsory control program.

The idea of shifting to a compulsory program was abandoned by Congress in the face of strong producer opposition. As a result we now have a costly, ineffective program that was never expected to provide a permanent solution to the feed grain problem.

(8) The feed grain program is not solving the feed grain problem.

The program is costly and ineffective because it seeks to control production by reducing acreage—which is only one factor of production. Year-to-year diversion programs are the most costly and least effective method of reducing acreage. Such programs do not encourage needed adjustments in land use. On the contrary, they actually increase capacity to produce the crop from which acreage is temporarily withheld.

Per-acre yields of corn—the principal feed grain—have been increasing at an accelerated rate since the feed grain program was enacted in 1961. Yields were down a little in 1964 due to weather; however, the average was higher than that for any year prior to 1962.

The 1963 corn crop of 4.1 billion bushels was 183.6 million bushels above the crop harvested in the peak no-program year of 1960. The total 1963 production of the four feed grains was 156.4 million tons—an increase of 9.5 percent from the 1962 harvest and 0.5 percent above the previous record harvest of 1960.

At 1963 yields, the 1964 acreage of feed grains would have produced a crop of 146.4 million tons—or only 3.7 million tons less than the estimated 1964–65 utilization.

There is no reason to believe that yields will not continue to increase. Some farmers already are getting 150 bushels of corn per acre (more than twice the national average), and yields on contest plots have been running up to double this figure. If yields continue to increase, as now appears certain, it will be necessary for the Government to increase the incentives offered cooperators from time to time in order to make it advantageous for farmers to continue to participate. Consequently, the present “emergency” program is likely to become less effective and more costly each year that it is continued.

OUR APPRAISAL OF THE CURRENT WHEAT PROGRAM

The current wheat certificate program is a stopgap measure, which was put into effect for a 2-year period after a majority of the producers voting in a 1963 referendum had rejected a similar program.

Here are some of the facts that should be considered in the evaluation of this program:

(1) The certificate plan is a bread tax.

Under the wheat certificate plan every person processing wheat into food products is forced to buy marketing certificates at a fixed face value. The cost of these certificates—70 cents per bushel for the 1964 marketing year and 75 cents for the 1965 marketing year—is over and above the price paid by the processor to obtain wheat in the marketplace.

The cost of the certificates does not change with the market price of wheat. Thus, the certificates are clearly a device used by the Government to collect funds from the processors of wheat food products. Such a device has all of the earmarks of a processing tax. A similar levy imposed on the processing of sugar as a part of the sugar program has long been acknowledged to be a processing tax.

Since bread is the major final product produced from wheat, the cost of acquiring certificates can appropriately be considered a bread tax. Such a tax, of course, places the heaviest burden on low-income

families who spend more of their income for bread than higher income families.

Proponents say that the cost of the certificates is not a bread tax because—in their opinion—it is not sufficient to justify an increase in the price of bread. Actually, the price of bread has gone up and the certificate plan must bear a part of the repsonsibility for the increase.

The real point, however, is that a Government exaction from processors—which is based on the volume of products processed—is clearly a tax on processing, regardless of whether the cost of the product would be higher or lower under a different program. In the present case, it is a tax imposed on domestic consumers in order to facilitate wheat sales in the export and domestic feed markets at prices substantially below those applicable to wheat used to produce domestic food. Pending proposals to eliminate the export certificates and increase the price of domestic certificates would mean a higher, more obvious bread tax—a greater discrimination between our own consumers and foreign buyers.

(2) The certificate plan allocates the premium market for milling wheat to cooperating producers without regard to quality or actual use.

The arbitrary nature of the percentage allocations to the various certificate classifications is illustrated by the following data on the average utilization of wheat for the 5 years 1959–63.

This table gives the size of the utilization, the percent of the utilization actual and then the allocation under the program.

It shows, of course, that there is quite a discrepancy between the allocation under the program and the actual utilization.

(The table follows:)

Utilization as—	Million bushels	Percent of utilization	Corresponding allocation under 1965 program
Domestic food.....	505.1	39.6	45 percent domestic certificate. 20 percent noncertificate. 35 percent export certificate.
Feed, seed and industrial.....	90.3	7.1	
Exports.....	679.2	53.3	
Total.....	1,274.6	100.0	

Mr. SHUMAN. The individual producer receives domestic certificates for only 45 percent of his normal yield, even though he may produce high-quality wheat that goes entirely into production of domestic food. At the other extreme, a qualifying producer receives domestic certificates for 45 percent of his normal yield even though his entire production is expected or is a low-quality wheat used exclusively for livestock and poultry feed.

As shown below, the average domestic utilization in the 5 years 1959–63 varied from a low of 23.9 percent of the total use in the case of White wheat, to a high of 76.2 percent of total use in the case of Hard Red Spring wheat.

And this table then, showing the use by classes, demonstrates the unfairness of this arbitrary allocation in the wheat certificate legislation and the unfairness that results in discrimination against producers of Hard Red Spring wheat, Durum, and Soft Red Winter wheat.

(The table entitled "Utilization of Wheat, by Classes Average for 5 Years, 1959-63" follows:)

Utilization of wheat, by classes (average for 5 years, 1959-63)

[Bushels in millions]

Class	Domestic uses	Export	Total use	Percentage used for—	
				Domestic uses	Export
Hard Red Winter.....	261.0	442.6	703.6	37.1	62.9
Hard Red Spring.....	135.6	42.4	178.0	76.2	23.8
Soft Red Winter.....	134.0	54.0	188.0	71.3	28.7
Durum.....	24.2	11.2	35.4	68.4	31.6
White.....	40.6	129.0	169.6	23.9	76.1
All wheat.....	595.4	679.2	1,274.6	46.7	53.3

Mr. SHUMAN. The above figures, of course, include feed, seed, and industrial use; however, they are nonetheless indicative of the fact that domestic food use represents a much higher percentage of total utilization for some classes of wheat than for others. The variation in utilization undoubtedly is much greater for individual producers.

The uniform allocation of domestic and export certificates to all producers penalizes producers of the classes that have a higher than average domestic food use and also the producers who are doing the best job of meeting the demands of the domestic industry for quality milling wheat within each of the various classes.

(3) The certificate plan does not give producers a choice between supported prices and the free market.

The price buyers will pay for wheat under the certificate plan is not a free market price. It is a Government-manipulated price which reflects the depressing effects of (a) the requirement that processors and exporters buy certificates at costs which materially reduce the price they can afford to pay in the market, and (b) a policy of dumping CCC stocks on the domestic market at 105 percent of a low loan rate, plus carrying charges.

During the heavy postharvest marketing season last summer the farm price of wheat was depressed below the world market level. Clear evidence of this is to be found in the fact that export subsidies were less than the 25-cent-per-bushel cost of export certificates for a considerable period of time.

For example, on July 30, the situation was as follows. And this table shows very definitely that the farm price for wheat in this country was deliberately forced below the world price and to the extent that it was, our farmers, that is our wheat producers, were selling at a reduced price over what it would have been without any program whatsoever.

(The table entitled “Export Subsidies by Class of Wheat and Port of Shipment” follows:)

Export subsidies by class of wheat and port of shipment

[In cents per bushel]

Port and class	Cost of export certificate	Export subsidy	Difference— amount farm price was depressed below world level
East coast:			
Hard Red Spring	25	8	17
Hard Red Winter	25	10	15
Gulf coast: Hard Red Winter	25	10	15
West coast: Other classes	25	4	21

Mr. SHUMAN. In the face of Government-depressed market prices, the producer who is dependent on wheat for a livelihood is virtually forced to cooperate although the program is said to be voluntary.

Under the 1964 program the noncooperator was further penalized by a loss of wheat history. This particular penalty has been removed, but the power of the CCC to depress market prices has been increased by a reduction in the 1965 loan rate.

(4) The use of CCC stocks to depress market prices—a key feature of the certificate plan—imperils the market system.

By holding down market prices the CCC (1) forces greater “voluntary” participation, and (2) camouflages the fact that the plan is a bread tax.

While it is clear that the certificate plan is a bread tax regardless of bread prices, the arguments of the proponents to the contrary obviously will carry more weight if it can be shown that flour prices have not increased materially under the plan. Thus, the certificate plan creates tremendous pressures for administrative action to prevent wheat prices from rising more than a few cents above the loan rate.

Government manipulation of prices impairs the market system and can ultimately destroy it. A policy of maintaining a ceiling on wheat prices enables the milling industry to shift the cost of carrying inventories to the Government. It will hurt cooperators as well as non-cooperators in adverse growing seasons when producers need higher prices to offset the effects of reduced output.

(5) Indicated returns under the 1965 program are equal to only \$1.52 per bushel on the normal yield of the producer’s allotment, plus required diversion.

The 1965 program provides support for the “normal yield” of cooperating producers on the following basis. And there it is spelled out by classification.

Certificate classification:	Support per bushel of normal yield
Domestic (45 percent)	\$2. 00
Export (35 percent)	1. 55
Noncertificate (20 percent)	1. 25
Weighted average, blend price	1. 69

While the indicated blend price on the normal yield of the producer's allotment is \$1.69 per bushel, this is not the full story.

In order to receive certificates, cooperators must divert an acreage equal to 11.11 percent of their wheat allotments without additional compensation. Consequently, a per bushel return of \$1.69 on the normal yield of a 1965 wheat allotment is equal to only \$1.52 per bushel on the normal yield of the allotment, after adjustment for the additional acreage that must be diverted to comply with the program.

For example, assume that a farmer has a 1965 allotment of 100 acres with a normal yield of 25 bushels. Assume further that he plants his full allotment and realizes his normal yield for a total crop of 2,500 bushels. In order to cooperate with the program he must idle an acreage equal to 11.11 percent of his allotment, or 11.11 acres. At normal yields this producer's 100-acre allotment, plus the 11.11 acres that must be diverted, would produce a total crop of 2,778 bushels (25 times 111.11).

He will receive—

\$1.25 (loan rate) on 2,500 bushels-----	\$3, 125. 00
\$0.75 (domestic certificate) on 1,125 bushels (45 percent)-----	843. 75
\$0.30 (export certificate) on 875 bushels (35 percent)-----	262. 00
Total gross return from 111.11 acres planted to wheat or diverted-----	4, 231. 25
Average gross return per bushel on 2,778 bushels (normal yield of 111.11 acres)-----	1. 52

Should his yield turn out to be above his normal yield of 25 bushels per acre, as is most likely since the yield trend is upward, the per bushel returns shown in this analysis would be even lower.

(6) Wheat acreage is increasing under the certificate plan.

Cooperators are encouraged to overseed by optional features which permit (1) the storage of excess production under bond; and (2) the substitution of wheat for feed grains on farms that are in compliance with both programs.

Overseeding is also encouraged by the fact that a producer does not have to make a final decision with regard to the way he will operate under the program at the time he signs up. The winter wheat producer, for example, is free to exercise the various production options or withdraw from the program after he has a chance to see how his crop came through the winter.

Under such a system it is to be expected that many producers will overseed for crop insurance and then bring their farms into compliance just before harvest by eliminating the acres with the poorest yield prospects.

The acreage seeded to winter wheat under the 1965 program is the largest reported for any crop year since 1954. The relatively large acreage seeded in the fall of 1964 reflects excess acreage on farms which have elected to exceed their allotments under optional features on the program as well as overseeding by noncooperators.

And then we have a table giving the breakdown. It shows there has been this excess acreage seeded.

(The table entitled "Winter Wheat Program Enrollment, 1965, Intended Diversion and Overplanting, and Seeded Acreage, With Comparisons" follows:)

<i>Winter wheat program enrollment, 1965, intended diversion and overplanting, and seeded acreage, with comparisons</i>	
Acreage seeded.....	45, 117, 000
Allotment.....	42, 666, 300
Intended diversion on cooperating farms.....	5, 540, 000
Allotment minus intended diversion.....	37, 126, 300
Excess of acreage seeded over allotment minus intended diversion..	7, 990, 700
Acreage of Winter wheat seeded for all purposes:	
Crops of 1959-63 (average).....	42, 086, 000
Crop of 1963.....	41, 983, 000
Crop of 1964.....	43, 241, 000
Crop of 1965.....	45, 117, 000

Mr. SHUMAN. An increase in wheat acreage means an increase in wheat production if crop conditions are near normal or better. Increased wheat production which is not stored under bond will go onto the market at a price that will encourage greater use of wheat for feed at a time when we are spending millions of dollars to reduce feed grain production. In effect, the certificate features of the wheat program are subsidizing the dumping of wheat into the domestic feed market. This will adversely affect producers of livestock, poultry, and dairy products, as well as the producers of feed grains.

THE FARM BUREAU PROGRAM FOR WHEAT, FEED GRAINS, AND CROPLAND RETIREMENT

Experience with the present temporary wheat certificate plan and the feed grain program clearly indicate the need for sounder, more economical, and less complex approaches to the economic problems of wheat, feed grain, and livestock producers.

Farm Bureau's proposal, which is designed to meet these needs, would be carried out as follows:

(1) Current wheat and feed grain laws would be repealed or allowed to expire.

Authority for wheat marketing quotas and acreage allotments would be terminated and the multiple-price wheat plan provision of the 1962 Farm Act would be repealed. The provisions of the Agricultural Act of 1964 which authorized the 1964 and 1965 wheat programs, and the 1963 Feed Grain Act which applies only to the 1964 and 1965 crops, would be allowed to expire.

These actions are necessary in order to clear the way for a new approach to the wheat and feed grain problem beginning with the 1966 crops. Efforts to control wheat and feed grain production by means of acreage allotments and marketing quota programs have failed dismally. They have created inefficiencies in the production of farm commodities, increased production costs, and shifted the surplus problem from one commodity to another.

The Farm Bureau program would enable each farmer to decide for himself which grains he should grow, how much of each he can best produce, and whether he would be better off to place a part, or all, of his farm under a truly voluntary cropland retirement contract.

New wheat legislation should be enacted in time to eliminate the necessity for another referendum on the wheat certificate plan which was rejected by wheatgrowers in 1963.

(2) Price supports on wheat and feed grains: Beginning with the 1966 crop, price supports for wheat would be set at the U.S. farm price equivalent of the average world market price during the immediately preceding 3 marketing years—currently about \$1.34 per bushel, as is indicated in the table I attached. Premiums and discounts would be used to reflect market demand for milling and baking quality.

For corn, supports would be equal to 90 percent of the average price received by farmers for corn during the immediately preceding 3 years. This is reflected in table 2 attached. Currently this would mean a price support of about 98 cents per bushel for corn. Supports for other feed grains would be related to corn with differentials to reflect differences in feeding value.

Under no circumstances would the price support level for wheat or corn be less than 50 percent of the applicable parity price—currently \$1.26 per bushel for wheat and 78 cents per bushel for corn. At the present time support prices computed by the proposed market price formulas would be considerably higher than 50 percent of parity for both wheat and corn.

This approach would eliminate administrative discretion with respect to price support levels for wheat and feed grains and automatically adjust support prices to changing supply and demand conditions. Support prices set in this manner would not impede the workings of the market, would not be an incentive to increase production, and yet would provide protection against any substantial drop in wheat and feed grain prices.

Because price supports set in this manner would not be a stimulant to production, it would not be necessary to continue restrictions on production or marketing of grains.

(3) CCC sales policy—wheat and feed grains: To protect farmers against competition from the release of CCC surplus stocks of wheat and feed grains, sale of these stocks at less than 125 percent of prevailing support levels, plus reasonable carrying charges, would be prohibited except for sales that are offset by open-market purchases. (This exception is designed to provide needed flexibility for the maintenance of good inventory management practice.)

Farmers' experience with the CCC dumping of both feed grains and wheat under the "emergency" programs of recent years has been highly unsatisfactory. The isolation of CCC stocks from the market would reinstate immediately the traditional functions of the market system in establishing farm commodity prices and guiding agricultural production. Farmers should not be handicapped by ceilings put on current commodity prices through the dumping of CCC stocks, which have been built up under unsound programs of the past.

(4) Cropland retirement: Farm Bureau believes that a practical land retirement program would facilitate the adjustment of agricul-

tural production to effective market demand. It is recommended that the program be temporary and voluntary, provide for competitive bids, take cropland out of production for 3 to 5 years (except that land being diverted to timber could be placed under contract for up to 10 years) with emphasis on whole farms, and prohibit the grazing of retired acres.

The Secretary would be authorized for a period of 3 years to enter into contracts for the voluntary retirement of cropland with emphasis on whole-farm retirement.

A cropland retirement program of this nature would lead to the withdrawal of much greater productive capacity per dollar of cost and would eliminate most of the administrative problems associated with the emergency-type programs of recent years.

Producers of all commodities would be given an opportunity to participate in the cropland retirement program. Producers would be required to establish and maintain proper vegetative cover and control noxious weeds on the retired acres. They would not be allowed to graze or harvest any crop off the land. There would be none of the fall and winter grazing of diverted acres which has contributed to the buildup in cattle numbers under the "emergency" programs of recent years. The voluntary nature of this proposed cropland retirement program minimizes the likelihood that it could have any adverse effects on individual counties or communities; however, to make certain that no area would be adversely affected, the Secretary would be directed to place a maximum limitation on the percentage of total cropland which could be retired in any one State or county.

We would caution against superimposing a cropland retirement program on top of current feed grain and wheat programs. Such a course of action would be doomed to failure. Fundamental changes must be made in the current feed grain and wheat programs if any cropland retirement program is to be effective.

The effect of Farm Bureau program: The proposal to terminate both wheat allotments and the present feed grain program and to institute a cropland retirement program puts all grains on the same basis. It provides no restrictions on individual farm operations except those applying to land voluntarily retired under the program. All farmers will be completely free to use all their noncontracted cropland as they wish, except for crops under marketing quotas. This would lead to a restoration of competitive markets and more efficient and profitable production in all areas of agriculture, including the highly important livestock, dairy, and poultry sectors.

One of the primary goals of Farm Bureau's program is to provide farmers the opportunity to use their land, capital, and labor for the production of commodities which promise great returns and highest possible net income.

The Farm Bureau program is designed to solve the feed grain and wheat surplus problems within the framework of the market system. It gets away from historic bases, yield factors, minimum allotments, administrative discretion, and other problems inherent in Government efforts to regulate individual farming operations. It preserves the opportunity for each farmer to make his own decisions. It provides for needed adjustments in resource use without forcing every farmer

to retire a part of his farm without regard to his individual situation. It uses support prices to encourage orderly marketing and orderly adjustments in production rather than to fix prices. In order to give the market an opportunity to function it provides protection against the dumping of CCC stocks.

The House bills now before this committee which carry out Farm Bureau recommendations (with slight modifications in a few instances) are H.R. 1595, H.R. 1752, H.R. 2210, H.R. 2252, H.R. 2847, H.R. 3022, H.R. 3023, H.R. 3138, H.R. 3383, H.R. 3600, H.R. 3720, H.R. 3829, H.R. 4231, H.R. 4254, H.R. 4401, H.R. 4536, H.R. 4759, H.R. 4806, H.R. 4961, H.R. 5066, H.R. 5178, and H.R. 6019.

We are happy that members of both parties in the House and the Senate have joined in sponsoring Farm Bureau's solution to the serious wheat and feed grain problems which have developed and persisted under past programs. We most sincerely urge this committee and the Congress to consider our proposed program on its merits.

And then we have two tables attached that we have referred to. We should like to have them made a part of the record and after that we will be glad to answer any questions, Mr. Chairman.

(The two tables, tables 1 and 2 follow :)

TABLE 1.—Wheat: U.S. average farm prices, export payment rates, and estimated world prices

[U.S. farm price bases]

Marketing year, July-June	Average farm price received (dollars per bushel)	Export payment rate (dollars per bushel)	Estimated world price (dollars per bushel)
1956-57.....	1.97	0.74	1.23
1957-58.....	1.93	.61	1.32
1958-59.....	1.75	.47	1.28
1959-60.....	1.75	.53	1.22
1960-61.....	1.75	.50	1.25
1961-62.....	1.84	.54	1.30
1962-63.....	2.01	.66	1.35
1963-64 (preliminary).....	1.85	.49	1.36

TABLE 2.—Corn: U.S. season average farm prices

Crop year :	Dollars per bushel	Crop year :	Dollars per bushel
1952-53.....	\$1. 520	1958-59.....	\$1. 120
1953-54.....	1. 480	1959-60.....	1. 040
1954-55.....	1. 430	1960-61.....	. 997
1955-56.....	1. 350	1961-62.....	1. 080
1956-57.....	1. 290	1962-63.....	1. 100
1957-58.....	1. 110	1963-64 (preliminary).....	1. 090

Mr. POAGE. Thank you very much, Mr. Shuman—thank you for your appearance and your discussion of this important subject.

Are there any questions of Mr. Shuman?

Mr. HARVEY of Indiana. Mr. Chairman, I did not note in here—I might have missed it—any discussion as to soybeans. Do you have any recommendations as to that?

Mr. SHUMAN. We have a position in favor of eliminating the authority of the Secretary to establish price supports for soybeans. We prepared this statement merely on the feed grains and wheat.

Mr. HARVEY of Indiana. I understand that. I realize that it is a complicated problem in itself, but inevitably in the Midwest soybeans do fit into the pattern and, actually, for that reason I think that it is interesting and worthwhile to note that this crop has a relationship to feed grain legislation. In fact soybean meal is the chief supply of protein in livestock rations.

Mr. SHUMAN. We certainly would oppose the use or the current use of soybeans on diverted acres. This, of course, would be a certain way to encourage excess production of soybeans. Actually, there is very little reason for any price support to be in effect on soybeans because the market price is far above the support level and has been most of the time. There is a good demand for this crop, and an increasing demand, but if Government programs were designed so as to encourage or to permit the use of the diverted acres for soybeans we might get into trouble rather rapidly.

Mr. HARVEY of Indiana. Do you find any evidence that there is a growing market for corn or other feed grains abroad?

Mr. SHUMAN. Yes, sir. We have noted that there is a good opportunity to expand markets for feed grains abroad. We have noticed this through our own inquiry, through the Farm Bureau trade development office in Rotterdam, Holland. We have noted the reports of the other organizations that are promoting increased sales and, also, the interest of foreign agricultural producers in increased livestock and poultry production, so we think that there is a good future for it.

Mr. HARVEY of Indiana. Are the developments in the Common Market indicative that we may have some disposition of agricultural products within the Common Market, that our potential there would be greater or less, Mr. Shuman?

Mr. SHUMAN. I think it depends very much upon what our policies here are as far as domestic agricultural policies are concerned. The Common Market variable fee device is being used against our export sales of wheat and feed grains and will be increasingly used. In effect because of what we are currently doing here, because of the kind of policies we follow under our farm programs, we cannot justifiably criticize the variable fee system. They are doing exactly the same thing that we are with our Government programs, which result in subsidized export dumping. And I think it is wrong if we continue to subsidize export dumping of surpluses with rigged programs at fictitious prices because we are going to have retaliation from other countries. If we could move toward a freedom of exchange on a fair market basis I would see great possibilities for increasing our exports.

Mr. HARVEY of Indiana. Thank you very much, Mr. Shuman. I want to compliment you on this comprehensive statement.

Mr. SHUMAN. Thank you.

Mr. POAGE. Mr. Findley.

Mr. FINDLEY. Mr. Shuman, I, too, would like to commend you on this statement.

I draw your attention to the table on page 6 of your statement. I had been hoping to see statistics which would indicate the degree to which the feed grain program has had an effect on the total acreage—either planted or diverted. Would the total increase be even more

dramatic if an adjustment was made for the acres still remaining in the conservation reserve—acres which presumably would ordinarily be planted to corn?

Mr. SHUMAN. Actually, what has happened—it is quite obvious here—is that the administration of the feed grain program has been extremely lax. Every farmer knows that. If he is a little bit unhappy, the local committee sees to it that his unhappiness is alleviated by an additional acreage to his allotment. So this is shown up in the national figures. We paid out a tremendous price to get the signup and to get the acreage diverted, and we turn right round and give him more liberal treatment, so far as the base acreage is concerned. So they are offsetting by their administrative actions much of the reduction which would have taken place otherwise.

Mr. FINDLEY. That is true. There is talk about phantom acres for the feed grain program. It does look like the phantom acres today have reached nearly 9 million acres.

Mr. SHUMAN. This is true. It is all perfectly legal, of course, but nevertheless the pressure is on the local community and the local ASCS committee, which cannot resist the pressure, they pass out the acres where they think it will do the most good.

Mr. FINDLEY. Certainly we have a lot more corn acres, including the diverted acres today than we had before the program began.

Mr. SHUMAN. We have almost—well, approaching 9 million acres more.

Mr. FINDLEY. Mr. Shuman, you have a very significant statement on page 20 in which you state:

We caution against superimposing a cropland retirement program on top of current feed grain and wheat programs.

And you further state:

Such a course of action would be doomed to failure.

Would you mind elaborating on that a little bit more? The President, as you know, has made a proposal to do that, and this is one of the fundamental changes that may be made in the feed grain program this year, and I would like to have the benefit of your analysis.

Mr. SHUMAN. No. 1, putting a cropland retirement program on top of the existing programs would simply mean that you would be trying to buy diverted acres in competition with the acres which would be taken out under the specific crop production programs. It would be a very costly operation.

If we are going to get any reduction in production, I mean. You have compensation, as in my case, an offer of \$85 an acre for land diverted from corn production. I am not going to be very much interested in bidding at a reasonable price to put land into a cropland retirement program with that. I will take the \$85. Or if I do bid, I will put in a rather high price bid. So, in effect, you are competing with yourself when you are trying to get a reduction in this way.

Mr. FINDLEY. And the retirement under that approach would be extremely costly?

Mr. SHUMAN. It would be very expensive.

Mr. FINDLEY. Could you make a comparison between the probable cost of retirement under that program superimposed on top of what

we have now, as compared to the cost under the proposal of the bill which you are advocating?

Mr. SHUMAN. I think that it would be, at least, double. I think that the average cost under the present program on a national basis, I believe our figures show is approximately \$35 an acre. And if you had to compete with this program, and putting in a cropland retirement program on top of that, there is no reason to believe that the cost would not approach this national average for the present programs. So I think it would be about double.

Mr. FINDLEY. Thank you.

Mr. POAGE. Mr. Dole.

Mr. DOLE. Mr. Shuman, is it fair to ask whether you have had any recent conferences with anyone in the administration as to superimposing this program on top of the present programs?

Mr. SHUMAN. Yes, sir. I met with the Secretary of Agriculture, Mr. Freeman, a month or 6 weeks ago and discussed this very thing with him. This was at his invitation and I was very happy to have the opportunity.

Mr. DOLE. Have you had any more recent conferences?

Mr. SHUMAN. I did write to the Secretary, emphasizing this same fact immediately after the conference with him.

Mr. DOLE. The point is that we have not heard what the administration is recommending. I just wondered if you had been discussing the problem with Secretary Freeman.

Mr. SHUMAN. I have no inside information.

Mr. DOLE. Thank you.

Mr. POAGE. Are there any further questions? If there are no further questions, we are very much obliged to you, Mr. Shuman.

Mr. SHUMAN. Thank you, sir. I appreciate this opportunity.

Mr. POAGE. Our next witness is Mr. Harry L. Graham of the National Grange.

We will be glad to hear from you now, Mr. Graham.

Mr. GRAHAM. The National Grange is pleased to present its statements on both wheat and feed grains before you in the form of two statements. I was not sure whether you were going to divide this up like we did on farm credit when we handled two bills. It is all there and we will get to it.

Mr. POAGE. They are not divided at the moment.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, THE NATIONAL GRANGE

Mr. GRAHAM. Grange agricultural policy is founded on the conviction that the problems facing American agriculture are considerably more complicated than the simple fact of overproduction of some commodities, and that these complicated problems cannot be solved by a return to the "marketplace" economy. Such a program, or lack of program, would result in progressive attrition, and contemplates agricultural bankruptcy as its integral philosophy, which would, on the face of it, be designed to reduce production by the simple reduction of profitable markets.

The price of producing equilibrium by the application of a competitive process alone is too high, and the time required is too

extended for the American economy to tolerate. To invite the disruption which would inevitably result from the application of such an oversimplified answer to a highly complicated problem is also to invite first farm and rural disaster, and subsequently a serious total national economic problem.

The present overproduction of some agricultural commodities has not resulted from the high prices that were offered for these commodities. Rather, it is because of a steadily declining price structure, which has required producers to increase the units of their production in order to have sufficient income to service their capital indebtedness, and leave a little extra for the basic necessities of life.

The situation is largely the result of the development of a dual economic system, in which wages have been protected and improved by wage-and-hour legislation, while profits have been protected by tariff regulations, tax concessions, quotas and administered production and pricing. The integrity of terms of industrial employment has been protected from a surplus of labor. The "surplus" has been cared for by unemployment insurance or relief programs. The concentration of productive capacities in fewer and fewer hands has permitted industry to protect itself from overexpansion of its plant capacity by administrative decisions of very few people.

Despite an unprecedented outmigration from the land, the productive capacity of U.S. farms has continually expanded due to the technological revolution and the increased use of capital as a substitute for labor, and this increase has outstripped the combination of demand of domestic and foreign markets and the relief requirements at home and abroad.

Under a completely free competitive economic system, all agricultural prices are determined by the value of the marginal, or surplus, quantities of the commodity being priced. These marginal prices, in turn, are heavily influenced by world prices. World prices are further depressed by surpluses in the international trade channels and protective devices around most foreign markets of consequence.

The so-called free market is never really free, because it is subject to many pressures besides supply and demand, such as national trade and monetary policies, political considerations (such as sales to Communist countries), monopoly controls and price manipulation.

Price fluctuations on such a market are not in proportion to the oversupply, but tend to overadjust. Due to the inelasticity of demand for food products, substantially lower prices on all food commodities would not increase consumption. Lower prices for some commodities shift consumer demand, but they do little to increase overall consumption.

Because of these factors, the return to a "free market" economy, with the present supply and demand situations and the productive capacity of both American and foreign agricultural producers, would result in a decline of farm income in the United States alone of about 40 percent, or to a net income level of about \$7 billion from our present \$12 billion level. This, in turn, would cause serious disturbances in our national economy. It would create grave problems in international relations and international trade. It would seriously challenge the U.S. dollar and play havoc with our balance-of-payments problem.

A system of declining price supports (because they would increase marginal production as prices decline) would attain an illusive and delayed marketing stability only at the price of marketing chaos, during the interim period. In addition, any such program that had no controls on production, or limitations on the Government's responsibility to purchase and store, would return us again to the storage problems and storage costs, with their depression upon farm prices and their criticism because of taxpayer costs which afflicted us as recently as 3 years ago.

The other popularly proposed alternative of high supports at a parity level would require an enormous taxpayer outlay, which, we believe, would not have sufficient taxpayer support in order to assure their continuation, or they would require the kind of tight controls which producers of a number of agricultural commodities have indicated that they are not willing to adopt. Unless we would include high export subsidies, this route would also destroy our natural foreign trade in these commodities.

The National Grange proposals have been designed to isolate our own primary markets from the depressing market pressures of our marginal production. The Grange seeks to derive the major share of American farm income from the sale of American farm commodities on the primary American market. We would thus generate a return for that which is sold on our primary domestic market, that bears a reasonable relationship to the returns realized by other segments of our economy for the use of the same factors of labor, investment, and production.

We believe, for example, that the wheat that is consumed on the domestic market for food represents our primary market; and that the return should be from the user of the commodity as distinguished from the taxpayer. To attain this objective, wheat should bring a return of 100 percent parity, or about \$2.60 per bushel, for that amount going into bread grain and human food. The difference between the support, or feed grain price (which is, in reality, the marginal price), should be made up to the producer by the certificates which the user or consumer is required to purchase in order to place that wheat in domestic food trade channels. The certificate thus becomes a part of the price of wheat used for food. It is a means of getting the desired price from the market, rather than from taxpayers, as did the old loan and purchase program. In our certificate program, only those who buy the wheat for this "primary use" pay the price. Under the old loan and purchase price-support program, the cost is charged to Federal income-tax payers, without regard to whether a given taxpayer uses any wheat, or its products.

To protect our available foreign markets from reaction either to the dumping of American surpluses, at prices less than the producer receives for that wheat, with Government subsidy, as was the practice in the past, or from disastrous results of putting our surpluses, especially of wheat, on the market at a feed grain price level. The National Grange proposed the export certificate provisions, whereby exporters must pay the difference between the support level and the International Wheat Agreement price, in the form of an export certificate.

The remainder of the wheat produced in this example, then, has no utility except as feed grain, and is supported at a feed grain level.

This system is a correct application of economic laws, in that (1) it places reliance upon the primary, and most profitable, market for the major return for the factors of production; (2) it recognizes the difference between American and international price levels; and (3) it makes the production of surplus wheat considerably less profitable than the production for the primary and export market.

It avoids the twin fallacies of pricing the most desirable wheat, or part of the commodity, at a marginal price level, as would be done under the so-called free market principles.

At the same time, it avoids pricing the marginal production at the level returned by an open end support system at which all the wheat is supported at the same level. This program gives basic attention to the demands of the domestic and foreign markets and seeks, by economic rewards and penalties, to adjust the production to the demands of the market. This is the proper application of the law of supply and demand.

The wheat programs of 1964 and 1965 establish this principle. The primary certificate and price level are far short of Grange objectives—largely because of the vigorous opposition of one of the four major organizations which consistently advocates maintaining the old across-the-board, price-support loan and purchase program, but insists on lowering the Government's fixed-price level for these loans and purchases by a formula of 90 percent of the previous market level, until wheat reaches the feed grain price level. They have repeatedly urged rejection of the marketing quotas in annual referendum which, under the law of long standing, meant 50 percent of parity support level—\$1.26 for 1964 wheat had it not been for our wheat legislation of last April.

Actually, the program is working better than we dared to predict, but about as we anticipated, despite a continued hysterical campaign to discredit the program conducted by the same farm organization. The continuing charges made by its leaders to the effect that the Government is dumping wheat to drive down the prices as a "punishment for those who did not participate in the program" not only does not square with the facts, but appears to be a further distortion of the truth as a means of trying to exonerate themselves from a guilt complex caused by successfully urging a "no" vote in the wheat referendum which reduced the price of wheat to \$1.24 per bushel. Then they failed to get Congress to approve their own program as they had assured the farmers would be done.

In answer to the accusations to the effect that the Government is dumping wheat to drive down the price as a punishment for those who did not sign up, the following pertinent facts are called to your attention:

The unusually sharp adjustment in the price-support loan level of \$1.82 for the 1963 wheat crop to the much lower level of \$1.30 per bushel for the 1964 wheat crop is a mandated result of the vote in the wheat referendum.

There was no choice at that point. Without the 1964 program the loan level would have been even lower at 50 percent of parity which is \$1.24 per bushel, the legal historical alternative to marketing quotas,

with no added protection for the wheat farmer's income regardless of his willingness to help keep supplies in line with demand.

With anticipated production equal to or exceeding domestic and potential export use combined with Government stocks or over 800 million bushels, the market price adjustment to the lower loan level was inevitable and normal. For many years the sale price of wheat has been at the support level or about 3 cents below. With the anticipated supply situation there was no reason to believe that this price would have remained above the support level. The charges that Government sales of wheat have depressed the market and prevented it from returning to normal are without foundation. Assertions that the wheat would be worth 20 to 25 cents more per bushel than at present had there been no wheat program are speculative at best and because of the supply-demand situation previously noted, it is difficult to understand why anyone would anticipate a price level which is very much above the present market level.

As further refutation against the price-depressing features of this bill, the price of wheat has actually risen substantially since July 1, as indicated by the following comparisons:

	Hard Red Winter, Kansas City	Soft Red Winter, Chicago
July 1, 1964.....	\$1. 50	\$1. 44
Sept. 17, 1964.....	1. 60	1. 535
Mar. 19, 1965.....	1. 525	1. 50

Incidentally, some of the Soft Red wheat was closer to Hard wheat than normally.

Part of the improvement is the result of the direct policies of the Department of Agriculture. Under section 407 of the Agricultural Act of 1949, CCC has always had the authority to sell at 105 percent of the applicable support rate plus reasonable carrying charges. For 1964, carrying charges have been increased from 1 cent per month to 1½ cents per month per bushel thus providing a relatively higher formula price than has been in use for many years.

Furthermore in previous years Government-owned wheat sold for export under the payment-in-kind program has been freely available at the market price even though that was well below the statutory minimum. Since July 1, all export sales have been made at the statutory minimum or above and the total exports of U.S. wheat for July and August were about 90 million bushels, most of which has gone to India and Pakistan.

In reality, there has been no excessive dumping of wheat on the domestic market beyond the levels of sales in previous years despite the fact there was an almost empty pipeline to fill up as a result of the discontinuing of buying at the end of the old program year.

This has always been done, because at the end of the 1 year's program they were having 12 cents a bushel added to the previous by reason of the carryover. This is nothing unusual. And it will not be anything unusual this year but there was more of it this last year because of the change of program.

For instance, at the beginning of this program year, with an empty pipeline situation and storage stocks in private hands almost exhausted, there was a heavy sale from the Commodity Credit Corporation during the first few days of the month of July. This reflected not only the legal right of the sellers to sell grain to the millers for 105 percent, the support price plus reasonable carrying charges, but also the specific instructions of the Congress to sell this grain in order to prevent a shortage due to the change of programs.

You gentlemen will remember that this was a part of the law.

Therefore, 7 million bushels were sold which went into immediate grind and additional stocks were sold to begin to supply a small reserve in the hands of the millers. This situation, more than anything else, accounted for the high sales in the first part of July, and the result being that from July 28 to September 11, CCC sales for domestic use totaled almost 30 million bushels against 14.7 million bushels during the comparable period a year ago. Furthermore, after the Secretary had complied with the instructions from the Congress to expedite the transition to the new program, he has pursued a consistent policy of improving the market, and all of the sales during the last 8½ months have been above the statutory minimum, including fixed sales. This reflects the improvement in the market prices.

Contrary to numerous statements, the Department has been following a more restrictive selling policy than had been pursued in recent years with a resultant bolstering effect on market prices and farm incomes, and this can hardly be called "cutthroat competition." The complete spuriousness of the charge is indicated by the fact that both domestic and import sales have been limited to Hard Red Winter and Spring wheat. No stocks of Soft Red Winter wheat were in CCC inventory due to Public Law 480 programing which in recent years has removed the surplus. The domestic price of the Hard wheats as previously noted has been well above the support level, until the last few weeks. The extent to which domestic prices for Soft Red Winter wheat has been lower in relation to the loan price than the Hard wheats cannot therefore be attributed to CCC sales.

Part of the credit for this price stability must be given to CCC and to the Public Law 480 program which has reduced the carryover of Soft wheats to an almost irreducible minimum. At the beginning of the 1963 fiscal year there were 13 million bushels of Soft wheat in CCC ownership. There was a similar or a larger amount in the hands of private trade.

Due to the vigorous marketing program of the CCC, there were about 10 million bushels of Soft wheat in free hands at the beginning of this market year and virtually none in the possession of CCC. This Soft wheat included about 4 million bushels of Soft Red Winter wheat, 6 million bushels of Soft White wheat, of which between one-half and 1 million bushels were in eastern hands. Furthermore, it should be pointed out that the carryover of Soft wheats in CCC hands during the 1957-61 period averaged 45 million bushels.

There were only a limited number of producers of Soft Winter wheat that elected to cooperate with the wheat program and be eligible for price support, therefore, the price relationship between Hard and Soft wheat reflects the operation of a "free market."

And according to all of the arguments we have heard, they should have gone up about 20 to 30 cents more than they did. The fact is that the free market did not take it up. This was a free market at work.

Again we see the complete inconsistency of those who make the charges of dumping and who request a more restrictive selling policy on the part of the CCC on the one hand, and at the same time with their propaganda machine they are flooding the country with charges that this extra income which has accrued to the benefit of farmers constitutes a bread tax. The question naturally arises as to whether they are interested in improving farm income or whether they are interested in embarrassing other farm organizations and this administration whose policies do not conform to the dictum laid down by their official body.

I would point out at this point, Mr. Chairman, and members of the committee, that until the last few weeks when the increase in the handling charge has been reflected in the market prices, that the price of No. 2 Ordinary wheat in the Kansas City market has not indicated this and the price of flour has consistently gone below the price of the previous years. Now, if this is increasing the cost of bread, it is not certainly increasing it as a result of a cost to the farmer being increased and anyone looking at the Wall Street Journal will show or find that this is true.

Thus, we see that instead of being guilty of "dumping" and depressing prices, the Department has exercised its powers wisely to improve the market. This result is what the sponsors of the 1964 legislation hoped for, but did not dare to predict.

In the light of the fact that the prices for most of the year are substantially above the support-price level, that the CCC is releasing stocks only as bidders meet the market price which is above the statutory minimums (practically no wheat is being moved out of the Commodity Credit Corporation stocks at the present time), and considering the fact that this principle is being applied to the wheat released for payments in kind which previously could be released at any price, even below the statutory minimum, it seems impossible to justify a charge of dumping which has been leveled against the governmental authorities.

It would appear to the staff members of the Grange that after careful investigation of the charges that have been preferred, that the officials of the CCC and the Department of Agriculture deserve a commendation for the prudence, judgment, and restraint coupled with sincere interest in improving agricultural prices, that they have displayed during the past year.

May I interject here that only last Friday I was severely critical of one section of the Department of Agriculture, that is, one division, for the way that they have been acting. And in this case I think they have acted with prudence and wisdom and I ought to tell them so when I have been so free when I thought they did not do what I thought they ought to.

The combination of prices plus certificates has meant that farmers have received for the wheat which has gone into domestic use about \$2.15 to \$2.20 per bushel. The certificate program alone has returned to the cooperating farmers \$387,758,000 this past year. Diver-

sion payments as a part of the wheat program have amounted to \$42,799,000. The price support program, as of February 1965, had cost \$7,707,000. The total farm income from the wheat program has exceeded the market return by \$438,264,000. This is income which would not have been available to American farmers had there not been a wheat program. This is the income that the opponents of the wheat program would ask farmers to give up in the name of an economic theory based upon highly unrealistic assumptions. This represented 20 percent of the total of Government payments, but the interesting thing about this whole situation is that (I hope you get this) 88 percent of this additional farm income did not come from Government sources. It came from the market where it properly ought to have come.

The leading State, in terms of receipts from certificates, was Kansas with \$94,703,000. This was almost \$600,000 more than the total received by all of the States in the western region. Total Kansas receipts from all Government programs was \$188,763,000 second only to Iowa which received \$226,278,000. The interesting difference was that only \$586,000 of the Iowa Government funds came from the certificates for wheat.

And again, \$94 million came from certificates in Kansas.

The only thing really wrong with the program is that domestic certificates do not reflect 100 percent of parity, which would return wheat farmers another \$300 million per year. This is the goal of the National Grange for 1965 and 1966 and all future years. The delegate body to the 98th annual session of the National Grange which was held in Atlantic City in November of 1964 passed the following resolution concerning a wheat program:

Whereas a healthy American economy must be founded on a strong farm economy; and

Whereas a wheat program is essential to a prosperous farm economy; and

Whereas our present wheat program assures our wheatgrowers approximately 65 percent of parity; and

Whereas adequate planning time should be assured the wheatgrower if he is to operate efficiently; and

Whereas a sound farm program should give full credit for conservation practices: Therefore be it

Resolved, (1) That the Grange continue favoring the voluntary wheat certificates program; and (2) that this program be strengthened to assure a substantial increase toward a parity price level to all wheatgrowers; and (3) that future extensions of the program be announced in time to assure the growers adequate crop-planting time; and (4) that the program be amended to allow full credit for conservation practices; and (5) that the program's procedures be streamlined to reduce all administrative decisions to the absolute minimum necessary to implement the program; and, be it further

Resolved, (1) That adequate planning time, of at least 18 months, for the benefit of dryland farming, crop rotation, and conservation practices be included in future wheat programs; and (2) that the wheat and feed grain programs be extended at least 3 years with a goal of 90 percent of parity. This would also provide for adequate long-range crop planning; and (3) that the Secretary of Agriculture set the acreage diversion payment at the maximum rather than the minimum to assure the wheatgrower an adequate income; and (4) that in future wheat programs the substitution clause be included; and (5) that a national food reserve of 630 million bushels be established to meet the needs of the United States in the light of current world conditions, the cost of assembling and maintaining such a reserve to be charged to national defense rather than to Agriculture; and (6) that there be a systematic issuance of purchase authorizations under Public Law 480; and be it further

Resolved, That the National Grange continue to work for the original Grange program of full parity price for domestically consumed wheat, including provisions for bushel allotments, and for CCC loans on farm-stored wheat as integral parts of the program. Farm stored wheat should include wheat for both domestic consumption and export.

H.R. 6335, which was introduced by Congressman Purcell, the distinguished chairman of the Wheat Subcommittee, calling for a total of the price supports plus the domestic certificates of \$2.50 per bushel, appears to meet the specifications for the income level which the Grange has designated as their objective. We are pleased to note that similar legislation has been introduced by Congressman Mark Andrews of North Dakota in H.R. 4141.

I think the Grange would prefer, I would add, the use of the percent of parity concept at this point, rather than the \$2.50 concept, Congressman Purcell, as we have talked this over in the staff, and we feel that one of the biggest reasons for this is that there is a possibility that there could be a devaluation, an increase in the price of both—which would then set us at a \$2.50 figure which might be completely unrealistic in terms of the price of money. And also I think that the chairman serving today, Mr. Poage, made about the most eloquent defense of the parity concept that I have ever heard in a speech that he made in Chicago on Saturday. I would suggest that you gentlemen might find ways of seeing that this most excellent speech is included in the Congressional Record. It is the best farm speech I have ever heard anybody make.

The Grange would point out with the greatest of earnestness that the export certificate should not be increased in value. The purpose of the export certificate is to reflect the difference between the American support price and the sale price of wheat on the world markets. To increase the value of these certificates would be to make the United States again guilty of the charges of "dumping" which have been leveled against us in the past. In terms of international trade this was dumping. It would bring us into violation of our treaty commitments and place an unnecessarily heavy strain upon our negotiators who are working for us in Kennedy round in the GATT at the present time.

As you noted in the statement of policy, we believe that a substitution clause should be included to permit an interchange of wheat grain and wheat acreage allotments. This would permit the normal adjustment which should be possible for any farm manager and which will help, in the long run, to increase the efficiencies of the producers of both wheat and feed grains and thereby improve net income by reducing the costs of production. Farm production would therefore not be locked in to a quota system which would make changes in production and management possible when the economic situation indicated that it was impossible.

The Grange wishes to again assert its fundamental conviction that allotments of a share of the market must continue to be based on bushels instead of acres. We recognize that as long as diversion payments are a part of the program that historical acres must be a part of the control program.

The National Grange looks forward to the time when acreage diversion payments can be eliminated but we do not believe that time is in

the immediate future. The income which is derived from these payments helps to offset the reduction of income which may have resulted from the liquidation of Government stocks which is mandated by the law. When Government stocks have been reduced to a minimal amount or set aside in a permanent national food reserve, and when the market begins to operate again in a situation where the competitive influences are in relative balance, and when the market demands and market supplies are relatively equal, then will be the time to consider the elimination of the diversion payments. We would further specify that we would reserve the right to approve of the elimination of diversion payments until all agricultural commodities begin to approach the parity level in pricing. Another reason for continuing the diversion payments is to increase the participation in the programs which are designed to improve income and reduce Government stocks.

A feature of Congressman Purcell's bill which would make this a permanent program as far as the income features are concerned would have the approval of the Grange. Some of the administrative procedures and such items as diversion payments, cross compliance, substitution clause, et cetera, might be the subject for periodic review by the Congress.

A great deal has been said concerning the increase of the release level from 105 percent of the support level to 115 percent—125 percent. This suggestion does not have the approval of the National Grange for the simple reason that we believe that it is in the best interest of our agricultural economy that the Government be divested of its surplus stocks as rapidly as possible, except for those that are necessary for a national food reserve. If our objective is to get the Government out of the wheat business, then we must at the same time get it out of the storage business. Such a suggestion as is being made and very vocally by some groups simply is a way of continuing the storage features of the program and reverting to a program which created the disastrous conditions which the present program is beginning to correct.

Our insistence that the release price should not be raised above the 105 percent of course would not apply to a strategic national food reserve.

The National Grange supports the section of the President's farm message which would set up such a reserve, as you have noted in the statement which we have previously read. There will have to be considerable flexibility on the part of the administration of this reserve as to its purchase and release prices, and we do not believe that the best interest of such a program or the Nation would be served by placing any such restrictions as an increase in the release price on this food reserve. The fact is that if it is to be a rotating reserve with food coming in and going out on a regular basis, that it may be necessary to sell some of this reserve at a reduced price because it has gone out of condition. In general, however, I think that we would expect that the administration of such a reserve would not release these commodities at less than the price that was required for the release of the regular CCC stocks.

In conclusion, what the National Grange proposes to accomplish in any kind of a wheat program is to recover from the marketplace instead of from the Government by a system of certificates which

have some relationship to minimum wage laws and other guarantees to other segments of our economy, a return for the work, risk, management, and investment, which has been made by the wheat farmers, which is consistent and equitable when compared to the rest of the economy. We believe that the income level of American people is sufficiently high to accomplish this objective in the case of wheat without any strain on their cost of living. We can maintain full parity of the domestic certificates without an increase in the cost of bread to exceed 1 cent per loaf. Considering the fact that 12 cents have been added to the cost of a loaf of bread since the end of World War II, none of this has gone to the farmer, then it does not seem to be unreasonable to ask the consumers to pay another cent for this loaf of bread when all of the costs of production of the items which farmers buy have increased and nobody has been greatly alarmed at the adding to the burdens of our costs of production.

We believe that in terms of our international trade in wheat and other agricultural commodities, that we must have some kind of protection to prevent the collapse of our domestic market from an unreasonably high importation of agricultural products from other countries. We would grant to other countries the same right to protect their farmers as we have exercised in protecting our own. We do believe, however, that it is consistent with the development of a freer trade and the extension of the benefits of efficient agricultural production to the consuming peoples of the world, that these markets shall not be frozen by any system of bindings, quota limitations, variable levies, and so forth.

The officers and staff of the National Grange have observed during the past year a considerable change in the attitude of our foreign agricultural friends. The fear that we were going to dispense with any Government programs and therefore flood the market with American wheat, or the corresponding fear that we were going to use the enormous economic power of the United States to subsidize the "dumping" of our wheat on unprotected markets and thereby destroy the agricultural producers in those areas, both have been considerably reduced if not removed by the passage of the wheat bill of 1964 and the provisions that were made for the control of the export prices.

The level at which the remainder of the wheat is to be supported must be such that it has a direct relationship with the value of feed grains and at such a level that the feed grain program is not damaged or destroyed by an unwise reduction of the support levels. In this regard, it is reasonable to expect that producers who participate in one of these programs should also be required to participate in both of them that, therefore, we would support a requirement for cross compliance. This is especially pertinent if we are going to permit a substitution. The present wheat program meets the general objectives of Grange policy and with the improvements which we have suggested, will have our enthusiastic support. This is a good program, properly conceived to work in a modern market, properly planned to lay the basis for improving farm income, realistically related to international trade policies and politics, consistent with the national interest in reducing tax burdens, and at a cost to the consumer which will not jeopardize the abundant supply of high quality food at a cost which reflects the declining share of the purchasing dollar needed for the purchase of food, which is indeed a bargain.

On feed grains, I am going to say very quickly that this was developed; that is, this concept was developed in 1956 and 1958 in the Wheat Advisory Committee of the National Grange.

The late Fred Bailey, who was then the legislative representative for the National Grange, testified in favor of this legislation at this time.

We supported the emergency feed grain program for 1961 and 1962 as temporary measures to meet an acute problem, and we are supporting it at the present time.

The feed grain program brought into the farmers' pocketbook for 1964 diversion payments of \$868,657,000. In addition, farmers placed \$293,508,000 worth of corn in the price support program. And this was for a total of \$1,162,165,000. The fact is that the \$868 million diversion payment did amount to 7 percent of total net farm income in the Nation.

As long as the price of corn is averaging only about 75 percent of parity, then, in the interest of maintaining farm income which is already at a critically low stage, the National Grange will approve and support the continuation of this diversion and support program.

We have heard a lot about what has happened here. The second reason we have for supporting this program is that corn prices, falling to a seasonal low in November 1964, experienced a sharp rise in price in December, were 4 cents above the national average loan rate of \$1.10 per bushel and 5 cents above it in January. In relation to the loan rate corn prices are a little higher this winter than they were in 1963-64 and much higher than they were 2 years earlier, when the entire price support was in the form of a loan of \$1.20 per bushel. In 1963-64, when the loan rate was reduced to \$1.07 per bushel, the quantity of corn placed under the price support dropped to 395 million bushels, about 200 million less than in 1962-63 and the smallest in 5 years.

The much smaller corn crop in 1964 and higher corn prices are expected to result in a further decline of the total quantity of corn going under price support, and deliveries of corn to Commodity Credit Corporation will again be comparatively small. A much smaller corn crop in 1964 and the higher corn prices, this program has been blamed for all of the ills except our being involved in Vietnam. I would like to say that it probably had something to contribute to the reduction in supplies.

The third reason for supporting this program is that it is effectively working in the reduction of the supplies. At the beginning of the 1961 market year there were 2,800 million bushels of feed grains in the carryover. Preliminary estimate of the carryover at the end of 1964 and the beginning of the 1965 marketing year was 1,150 million bushels. This is almost a 50-percent reduction.

The total feed grain carryover at the beginning of the 1961 crop year was 84.7 million tons. The preliminary estimate indicates that the total feed grain carryover at the beginning of the 1965 marketing year will be 56 million tons, a reduction of 33 percent. Now, 33 percent may not be 100 percent, but it is a lot more than zero.

There are only two alternatives (besides the completely unacceptable continued reduction of the support rate) which are available to the American farmers. If this surplus in Government hands is going

to be continually reduced, then there seems to be no better program in terms of feed grains than taking the productive units out of production. We recognize that this is expensive but we ought to recognize that there are other expenses which, if it was abandoned, would be considerably greater than the expense of the program which we have at the present time.

This massive land retirement program that has been suggested—as to that we would be in agreement with our Farm Bureau friends at the point that this should not be superimposed upon the other programs.

In the first place, we do not believe that the program should be adopted, anyway. The old program was expensive. We accumulated this tremendous surplus during the time it was in effect. The basic failure of the program was caused by the fact that it took land out of retirement without any relationship to what the land had been producing. We retired a lot of hay land, a lot of brushland, in fact, as well as cropland.

The acreage diversion programs are related to feed grains and wheat programs and when they are they make considerably more sense, because this takes the land out of production for the crops that are in surplus.

The only other way of bringing this diversion program into effect and to an end is to increase the proper development of the market balance relationship between market demand and production supply; and, therefore, have an improvement in the market price that brings the value of the corn and the feed grains produced up to the parity level. If we can get that then we will say goodbye to the diversion programs.

Mr. Chairman, this testimony has been longer than I wished it to be. We are dealing with two most important crops with the possible exception of cotton that there is in our American agricultural commodity programs and I do not apologize for taking this time because of the extreme importance of the commodities we are talking about.

(Mr. Harry L. Graham's prepared statement follows:)

STATEMENT ON THE NATIONAL GRANGE BY HARRY L. GRAHAM

The National Grange had a significant part in the development of the present feed grain program. The exceptionally difficult situation which was developing in the last part of the 1950's required that some very prompt and vigorous action be taken by the Government to prevent further accumulation of disastrously high stocks of feed grains. The cost of this program to the farmers and to the Government was appalling, they were unsupportable on the basis of any kind of rationale, and were hanging like a "dead weight" around the neck of all agriculture.

The present concept of the feed grains program was developed by the Feed Grains Advisory Committee in 1958. The late Fred Bailey, who was then the legislative representative for the National Grange, testified in favor of this legislation at that time.

We supported the emergency feed grains program for 1961 and 1962, as temporary measures to meet an acute problem. In the light of the progress which was made under the measures, we also supported the legislation covering the 1963, 1964, and 1965 crops.

Again, in 1965, the National Grange is in favor of at least a 3-year extension of the feed grains program and we would give several reasons for our support of this program. First of all, it represents a critical amount of farm income. The feed grains program brought into the farmers' pocketbooks for 1964 diversion payments of \$868,657,000. In addition, farmers placed \$293,508,000 worth

of corn in the price support program. This is a total of \$1,162,165,000. Accepting the fact that all of the price support money does not represent improvement in income, the fact is that the \$868 million diversion payment did amount to 7 percent of total net farm income in the Nation. As long as the price of corn is averaging only about 75 percent of parity, then, in the interest of maintaining farm income which is already at a critically low stage, the National Grange will approve and support the continuation of this diversion and support program.

The second reason we have for supporting this program is that corn prices, falling a seasonal low in November 1964 experienced a sharp rise in prices in December, were 4 cents above the national average loan rate of \$1.10 per bushel and 5 cents above it in January. "In relation to the loan rate, corn prices are a little higher this winter than they were in 1963-64 and much higher than they were 2 years earlier, when the entire price support was in the form of a loan of \$1.20 per bushel. In 1963-64, when the loan rate was reduced to \$1.07 per bushel, the quantity of corn placed under the price support dropped to 395 million bushels, about 200 million less than in 1962-63, and the smallest in 5 years. The much smaller corn crop in 1964, and higher corn prices are expected to result in a further decline of the total quantity of corn going under price support, and deliveries of corn to CCC will again be comparatively small." (Feed Situation, Feb. 12, 1965, p. 15, USDA.)

The third reason for supporting this program is that it is effectively working in the reduction of supplies. At the beginning of the 1961 market year, there were 2,008 million bushels of feed grains in the carryover. Preliminary estimate of the carryover at the end of 1964 and the beginning of the 1965 marketing year was 1,150 million bushels.

Total feed grain carryover at the beginning of the 1961 crop year was 84.7 million tons. The preliminary estimate indicates that the total feed grain carryover at the beginning of the 1965 marketing year will be 56 million tons, a reduction of 33 percent. Feed grains supply is the lowest in 7 years, corn supply is down 7 percent from 1963-64, and grain sorghum supply is down 104 million bushels. Oats and barley stocks are also down.

I don't think there is any question that the reduction in the supply of corn and the total reduction in the supply of feed grains has been one reason for the increase in the price of corn. The fact is that 5 years ago the greatest depressing effect on the market was the tremendous total of feed grain tonnage which the Government held over. Since then, the program has been effectively getting the Government out of agriculture at precisely the point it should get out, and that is being the only major owner of storable commodities and the best customers that the elevators have ever had.

There are only two alternatives (besides the completely unacceptable continued reduction of the support rate) which are available to the American farmers. If this surplus in Government hands is going to be continually reduced, then there seems to be no better program in terms of feed grains than taking the productive units out of production. We recognize that this is expensive, but we also recognize that there are other expenses which, if it was abandoned, would be considerably greater than the expense of the program which we have at the present time.

One of the proposals for accomplishing this is a massive land retirement program. The National Grange would be forced to oppose such a program, unless it is directly related to the retirement of the land used to produce surplus commodities.

The old soil bank program was extremely expensive as the Congress is well aware, and it also created economic havoc in some of our rural communities. On top of that, during the time the soil bank was in operation, we accumulated the greatest surplus we have ever had in feed grains and wheat and other agricultural commodities. In no way could it be considered a success.

The basic failure of the program was caused by the fact that it simply took land out of retirement without any relationship to what the land had been producing. It also was expensive because it took land out that had not been used in the production of surplus crops. The acreage diversion programs, as they are related to feed grains and the wheat program, make considerably more sense because this takes the land out of production for the crops that are in surplus.

The only other way to bring this diversion program to an end is to increase, through the proper development of the market, a balanced relationship between market demand and production supplies and, therefore, have an improvement in the market price that brings the value of the corn and feed grains produced up

to the parity level. This, of course, would obviate the necessity from an economic standpoint of such a program. Until that time comes, then, again, as a means of improving and maintaining already inadequately low-farm income, the National Grange will support the position which it already has stated in terms of the feed grains program.

We urge the committee to give this problem the same favorable consideration which it has on the past programs, and we base this upon the fact that the program is working to reduce crops, reduce Government cost, and improve and protect farm income.

Mr. POAGE. Thank you very much. We very much appreciate your statement on these important crops. As the chairman of the Livestock and Feed Grain Subcommittee, and I am sure on behalf of the chairman of the Subcommittee on Wheat, too, we appreciate your statement. And I want to say for the record without taking any unnecessary time, that I agree entirely with your viewpoints that we should establish some kind of level of income return so that we can make sure that the buying power of the farmer will not be reduced from year to year, so that our American farmers can look forward, knowing that their buying power is going to remain at least reasonably constant in the years to come. I wish that we could make it full parity. I think that full parity would leave the whole Nation most prosperous but I think that we all recognize that there is no reasonable opportunity to do that at this time. Certainly there is an opportunity to prevent a backward slide; certainly that is the thing that this committee has already committed itself to seek to establish—some method of preventing retrogression in these programs. And I think that I am speaking for all of the members of the committee when I say that we are seeking to prevent retrogression in the farmer's buying power. I am delighted to see that your organization takes the position that it does on that subject.

I do not want to cut anybody off. I do want those who want to question to have an opportunity to question Mr. Graham. I would ask that you do it as briefly as possible because we have two more witnesses this morning. Are there any questions of Mr. Graham?

Mr. FINDLEY. Mr. Graham, there are a good many points in your two statements that are stimulating.

Mr. POAGE. Challenging?

Mr. FINDLEY. And provocative. We could use any number of adjectives. I hope that we will have an opportunity to have him back for more extended questioning later on, because what he says certainly gets right down to the nub of the issues that are before this subcommittee. I would like to ask a couple of questions.

On page 2 of your statement you state:

Because of these factors, the return to a "free market" economy with the present supply and demand situation and the productive capacity of both American and foreign agricultural producers would result in the decline of farm income in the United States alone of about 40 percent or to a net income level of about \$7 billion from our present \$12 billion level.

Could you give us the source of those figures, please?

Mr. GRAHAM. I think that source has been quoted a number of times. Basically, it was from a report that came out of the University of Iowa, or was it North Carolina State University? I would point out, also, Mr. Findley—Congressman Findley, I am sorry—that we have had a little evidence that this is not as farfetched as it might

be this last year. There was 1 day that tobacco sold off, when the funds were not available, as you remember, where there was 1 day's lag in that before the emergency appropriations were adopted. Tobacco through the rest of the season had sold for about \$62 on the Lexington market and on that 1 day it dropped to \$42. The next day when the support funds were available it went back up to \$62. This was a pretty dramatic illustration. Thank God it did not last more than 1 day. It lasted long enough for us to see that it could get pretty critical, pretty fast.

Mr. FINDLEY. Is it not a fact that the study which came to this conclusion did provide for the release on the unprotected market of present Government stocks?

Mr. GRAHAM. That is correct.

Mr. FINDLEY. And has anyone seriously proposed any such programs for American agriculture? I certainly have not. I have tried to speak favorably about the marketplace system in every proposal I have made and every similar proposal that I have seen advocated providing some degree of insulation of present Government stocks from the market during the transition period, to prevent the drop in income which you indicate here. I do not think it is very realistic nor fair to say that those of us who speak favorably about the marketplace system are actually advocating that reduction in farm income.

Mr. GRAHAM. If you are talking about a modified marketplace system, this is one thing. But if the term is a "marketplace system without modification," then this is exactly the term that is used. I am not familiar enough with all of the ways that you modified all of your statements, Congressman Findley, to know whether this necessarily applies to you. I know that we get a lot of loose talk.

Mr. FINDLEY. In the statement about the Farm Bureau you mentioned, I do not believe that the Farm Bureau advocated releasing Government stocks on an unprotected market, but the organization apparently wants to get back to a supply and demand system.

Mr. GRAHAM. I am sure that is correct.

Mr. FINDLEY. On page 3 of your statement, in the last paragraph near the bottom you state:

To attain this objective, wheat could bring a return of 100 percent of parity or about \$2.60 per bushel, for that amount going into bread grain and human food.

Where do you think that the market price for wheat should be?

Mr. GRAHAM. You mean before the certificate?

Mr. FINDLEY. Yes. How much is the farmer expected to get on the marketplace?

Mr. GRAHAM. I do not think that he can expect to get a great deal more than he is getting at the present time.

Mr. FINDLEY. Where would you put the figure?

Mr. GRAHAM. Somewhere around \$1.50.

Mr. FINDLEY. About \$1.50 would be about right, in your judgment?

Mr. GRAHAM. I think that this is about as much as we could expect it to be. It could be considerably lower. It could be at the support level.

Mr. FINDLEY. You seem very pleased with the certificate program. Would you favor an amendment to the present law which would pro-

vide that farmers would get all of the income that might be realized from the processing tax on wheat for food?

Mr. GRAHAM. Well, I would not agree with the processing idea but if you will let me use my terms, and call it what I would prefer, then I would say "Yes." As a matter of fact, I think——

Mr. FINDLEY. Pardon?

Mr. GRAHAM. I think that they have got about all that came from that.

Mr. FINDLEY. There is no requirement under the present law that the farmer get all of the revenue yielded by this processing fee.

Mr. GRAHAM. I would not object to that.

Mr. FINDLEY. There could be——

Mr. GRAHAM. There I would not object to protection on that basis. I think it should come to the farmer. This is the whole point of it.

Mr. FINDLEY. Later on in your statement you deny that there has been any dumping. I am sure that you do not question the fact that the Government did sell 140 million bushels of Government stocks right after the peak of the harvest of wheat last year and at about the lowest price permitted by law. The Secretary had the option of having a higher release price and could have strengthened the market thereby? Am I not correct?

Mr. GRAHAM. The 140 million included export sales. Those 140 million included export sales.

Mr. FINDLEY. But it was all in the same marketplace system, was it not?

Mr. GRAHAM. When you sell to Japan and some of these others, there are other considerations, except just the market.

Mr. FINDLEY. They are customers.

Mr. GRAHAM. That is true, but there are political considerations involved as you well know, especially to Japan in terms of sales on the domestic market itself. I think the instructions that came from the committee to the Secretary at the time that the bill was passed did not give him very much option in those early days.

Mr. FINDLEY. He had authority to set the release price at almost any level above the minimum.

Mr. GRAHAM. I do not have a copy of the report that went with the bill, but I think that if you will read it carefully you will see that the instructions were a little bit more definite than that as to the legal options that he had.

Mr. FINDLEY. How do you account for the fact that early last year the price of wheat, before the bill was enacted, on July futures was somewhere around \$1.70—how do you account for that?

Mr. GRAHAM. I think that it is pure speculation.

Mr. FINDLEY. Well, the speculators are experts at estimating what the market will do.

Mr. GRAHAM. Somebody lost their shirt at that time. These experts lost theirs, too.

Mr. FINDLEY. Suppose I qualify that by saying that this was before they knew that the administration was going to resurrect the certificate plan. The speculators guessed a strong market price on the assurance of the administration that no wheat bill would be enacted.

Thank you.

Mr. POAGE. Thank you. Are there any other questions?

If not, we are very much obliged to you, Mr. Graham. We appreciate your statements.

Mr. GRAHAM. Thank you.

Mr. POAGE. Our next witness is Mr. Don F. Magdanz, executive secretary-treasurer of the National Livestock Feeders Association. We are delighted to have you with us.

STATEMENT OF DON F. MAGDANZ, EXECUTIVE SECRETARY-TREASURER; ACCOMPANIED BY B. H. JONES, ASSOCIATE SECRETARY-TREASURER, NATIONAL LIVESTOCK FEEDERS ASSOCIATION

Mr. MAGDANZ. Mr. Chairman and members of the subcommittees on Livestock and Feed Grains, and on Wheat, I am Don F. Magdanz of Omaha, Nebr., the executive secretary-treasurer of the National Livestock Feeders Association.

My appearance here today is to represent people who are engaged in the business of feeding and finishing livestock for the slaughter market and in this function they use the major portion, and, in fact, produce a large portion of the feed grains consumed in the United States each year. I appreciate the privilege of presenting the views of our association at this hearing which has been called to discuss possible feed grain and wheat legislation.

Since feed grains are a raw material in the production of the Nation's meat supply and the people I am speaking for either raise or purchase most of the volume of feed grains utilized, we have a sincere and vital interest in the legislation that may be enacted by the Congress. Our concern is not so prominent with respect to wheat legislation since wheat is largely used for human consumption, except as such legislation may affect feed grains and the conduct of programs resulting therefrom.

Let me say at the outset that contrary to statements heard on occasions, the vast majority of livestock feeders do not favor cheap or low-cost feed grains. It goes without saying that the position of the agricultural segment of the economy is not benefited by feed grain prices that are too low, and historically the general health of the livestock feeding business is improved when prices and costs of feed grains are not at a depressed level.

At the same time, though, this association believes in the very minimum of Government participation in the feed grain area, a return to the use of a free market to the extent and as quickly as this is possible, and the recognition of the individual farmer's privilege to make his own operating decisions.

These association policies have prevailed for some time in the area of feed grain legislation. It was gratifying to hear the President of the United States express these positions in general in his message to the Congress on February 4, 1965, when he included the words in one recommendation, "our objectives of increased freedom of operation, a steady improvement of income, a greater reliance on market forces, and lower Government costs."

Having visited with quite a few Members of the Congress on numerous occasions, I am sure it would be accurate to say that these objectives are embraced by most, if not all, of the Congressmen and Sen-

ators and, also, by a great number of people engaged in agriculture. It must be increasingly tiresome to the Members of the Congress to face the responsibility nearly every year of discussing, debating, and finally passing legislation dealing with the feed grain situation.

The problem, of course, is how to achieve the policies we have outlined and the objectives to which we have referred with a minimum of repercussion and adjustments in the industry, and to establish a program that will not require regular review and change. While we do not profess to have the complete answer to the problem, nevertheless we do hope that the steps we are prepared to outline will serve to point the way and contribute to a lasting solution.

Before discussing each step in detail, however, I think we must face up to the fact that all phases of the overall objective may not be achieved simultaneously. They will need to take place in stages with probable sacrifices in one area for a period in order to achieve both. For instance, it may mean that Government costs cannot be lowered simultaneously with a steady improvement of incomes. Nevertheless, it is reasonable to conclude that success can be achieved in the final analysis.

With these points in mind, I would now like to submit a series of recommendations which we feel are necessary if a solution of the feed grain problem is to become a reality. The following steps, in our opinion, will contribute to the retirement of the Government from farm programs and minimize Government participation. At the same time, we look upon them as definite progress toward a return to a free market, eventual improved income for farmers as well as lower Government costs.

First are reserves for national security and national emergency relief. In many circles it is generally considered there is a need to establish a given volume of feed grains as a reserve for national security and national emergency relief. Our association subscribes to and endorses such reserves. Fortunately, the so-called surplus volume of feed grains is now approaching a figure that is often suggested for retention in these national reserves. It has been unofficially mentioned that a volume in the neighborhood of 40 million tons, the equivalent of 1,425 million bushels of corn—should be held for these purposes. Their existence would be in the public interest as protection against the consequences of international conflict, domestic disasters, or widespread drought conditions.

However, for these reserves to be entirely useful and beneficial, their existence need be subject to several important conditions:

(1) The free market must be completely insulated from the price and supply impact of these reserves. This can be accomplished, we believe, by the establishment of a definite volume that is not used for domestic economic stabilization. If the reserves are employed to stabilize domestic prices, the free market cannot possibly be immune from the pressures that would be exerted.

Another condition would require that the storage of the reserves be maintained in the areas where the feed grains are grown. Also, that they be maintained in good usable condition and are not allowed to deteriorate. This can be accomplished by a systematic rotation of the reserves. An impact on the free market can be avoided if a given quantity in the reserve is purchased in the free market at the same

time and in the same location or region where a like quantity from the reserve is released and sold. In effect, the same number of bushels would be traded.

(2) The reserves would not be used for their intended purposes unless supplies available in Government stocks, exclusive of reserves, or free supplies are not sufficient to meet the emergency. If the rate of disappearance of stocks continues, it is reasonable to assume it will be only a short time until surplus stocks, other than the reserve, would be nonexistent.

(3) The cost of maintaining national security reserves is not an agricultural expense and should not be charged to the general agricultural budget. The thought might immediately arise that some other agency of the Government should assume the cost. This might be ideal, except for the probability that any agency to which the cost was assigned might also insist on assuming the control of the reserves. Having knowledge and responsibility for agriculture, we submit the control of these reserves should remain in the Department of Agriculture. Therefore, instead of transferring the cost of the reserves to another agency—and the control—we suggest a satisfactory arrangement would be to accomplish the desired results through an accounting and reporting procedure that would reveal the true picture.

Perhaps a preferable alternative would be to charge the cost of maintaining the reserves to an appropriate agency with a specific provision in the legislation providing for administration by the Department of Agriculture.

SEPARATION OF WHEAT AND FEED GRAIN PROGRAM

In recommending a return to the separation of wheat and feed grain programs, we realize we are going to counter to some other recommendations. Nevertheless, the National Livestock Feeders Association views any move to tie these commodities together in a Government program as a deliberate attempt to transfer problems involving wheat to the area of feed grains. Feed grain stocks are now approaching a manageable level and surely there can be no justification for expecting the feed grain producer to share the unavoidable repercussion of the more acute situation which still exists in the wheat area. Therefore, this association is firmly opposed to including wheat feed grain substitution provisions in farm program legislation.

Admittedly, we are not prepared to offer suggestions for a separate solution to the wheat problem. Our area of concern and knowledge is with feed grains and we feel those directly connected with the production of wheat should offer such ideas as they can to rectify difficulties in the wheat area. We submit that further validity to our separation policy comes from the comments that a two-price program may work in the wheat area, but does not have the same application to feed grains because of the basic difference in general usage of the two products.

PRESENT VOLUNTARY ACREAGE REDUCTION PROGRAM

Following through with a philosophy which can return feed grains to a free market basis, it seems advisable to give favorable consideration to the continuance for the time being of a voluntary acreage

reduction and price support program similar to that now in effect. It is generally considered, and we think accurately, that a sudden withdrawal by the Government from its present activity would have a disastrous effect on the economy of agriculture. This does not preclude, however, taking aim on a target time in the near future when the Government can withdraw itself from the price support functions now being performed and do so with minimum economic impact at the time.

There are various schools of thought having to do with the details of price support programs and the level at which prices should be maintained. In this connection, we would point out that considerable progress has been made in reducing Government stocks under the present level of price support for feed grains. Certainly not all of this disappearance can be attributed to the price support and acreage diversion program since we have had a substantial increase in the consumption of feed grains during the past few years. Nevertheless, the program has kept production from increasing correspondingly to consumption and thus allowed for the disappearance to which we have referred.

We believe there is an axiom which applies to feed grain production and should be carefully considered before an attempt is made to establish a higher loan rate or a higher figure at which feed grains can be sold from Government stocks. This is that the higher the loan rate and the effective price support figures, the more rigid the controls necessary to accomplish results and the less likely there will be voluntary participation. In fact, from this conclusion it could be argued that lowering of the loan rate and price support level would eventually bring production more nearly in line with annual market needs by making it necessary for marginal or submarginal land to be diverted into new uses which would yield more return than can be obtained from the production of feed grains.

There are those who strongly advance the philosophy that production can best be brought down to annual usage levels through a land retirement program. This association does not embrace this philosophy in its entirety, although there may be some justification for a modified land retirement program which would divert marginal and submarginal land from the production of crops now under some form of Government program.

A complete land retirement program that would replace the present price support and acreage diversion program goes contrary to the philosophy of our members who feel strongly that the use of land should be determined by economic forces and not by Government decision. Furthermore, it is generally considered that an extensive land retirement program, including a percentage of highly productive land, would be an exceedingly expensive undertaking and would contribute further to the undesirable image in which agriculture now finds itself.

PREFERENTIAL TREATMENT ON TRANSPORTATION AND PRICE

In the past there has been movement of grain from the traditional growing areas into deficit producing regions and some of this movement has taken place under conditions of preferential treatment on either transportation rates or price. In the judgment of this asso-

ciation, preferential treatment for any area should be prohibited. Price or transportation concession to any area including movement to storage is discriminatory to all other users. The position of being deficit producing can be created, and has been in cases, and the Government should definitely not come to the rescue when this occurs.

Please bear in mind that this discussion does not pertain to emergency drought conditions, but rather to deliberate utilization expansion beyond supplies available locally.

FARM AND COUNTRY ELEVATOR STORAGE

In past years it has been the practice to move Government stocks of feed grain eventually into terminal warehouses and centralized commercial storage facilities many of them completely outside and at considerable distance from the traditional producing areas. We submit to the committee the recommendations that this practice be discontinued and that both farm and country elevator storage be used instead. This suggestion is made for three reasons:

(1) The program of national security and national emergency relief reserves cannot be most workable and effective unless the grain can be rotated periodically as explained earlier. This rotation to keep the grain in usable condition can best be accomplished if storage is in the vicinity of production. If not, the program immediately takes on a much higher cost figure resulting from two-way transportation expenses and there can be no logic in shipping new grain a thousand miles in one direction and hauling a like amount of grain back to replace it in the market.

(2) Utilizing storage in the producing area provides minimum distortion of normal supply and price relationship.

(3) In the interest of providing higher farm income, and maintaining financial solvency in rural communities, allowing producers and elevators located in producing areas would make at least a small contribution toward improving a situation which is still of great concern to all of us.

GOVERNMENT ACTIVITY TOWARD INCREASED PRODUCTION

For many years the Congress of the United States, the administrative branch of the Government, and the industries involved have been striving conscientiously to devise programs that will bring production of feed grains more nearly into line with usage demands with the hope that greater returns and income will be realized by the people in agriculture. Yet, at the same time, we have had other activity within the Federal Government which contributes to the problem and further aggravates it.

We are referring to the Government subsidization of irrigation projects and reclamation of land, both of which have served to increase agricultural production. We realize, of course, that such programs may be of considerable benefit to local communities and we understand the demand for them is real.

Nevertheless, we do feel it is important to emphasize this conflict of interest while discussing a solution to the feed grain problem before this committee, and also to recommend that such subsidization be discontinued wherever the usage of the land will contribute to further

expansion in feed grain production. Regardless of the real need that may be justified from a local point of view, it is difficult for this association to justify continuing such expenditures as we seek to solve a difficult national problem of excess production.

In conclusion, Mr. Chairman and members of the committee, these are recommendations from the National Livestock Feeders Association which we hope will be of some value to this committee as it considers feed grain and wheat legislation in this session. The recommendations are drawn from consistent policy declarations of this association.

We do not propose that they include a complete program, but we are hopeful that the principles contained therein will provide some helpful guidelines for the passage of legislation which will move us definitely toward the objectives being sought.

On behalf of our members, I appreciate this opportunity to appear and am prepared to offer our further services to this committee if and when they may be requested.

Mr. POAGE. Thank you, Mr. Magdanz. We appreciate your statement very much.

Again, I would caution our members to make our questions as brief as we can, because we have another witness. I do not want to cut anybody off on questioning.

Are there any questions of Mr. Magdanz?

Mr. FINDLEY. Mr. Chairman, I am curious to know when we may get the administration's farm bill? Do you have any idea when we may get it?

Mr. POAGE. You have an opportunity to question Mr. Magdanz now.

Mr. FINDLEY. I am referring to the long-awaited proposals for legislation.

Mr. POAGE. If you have any questions they should, under our rules, be directed to his testimony, about the subject matter of his statement. I do not think that Mr. Magdanz is in a position to give you an answer to a question of that kind.

If there are no questions of Mr. Magdanz about his testimony, we are very much obliged to you, Mr. Magdanz.

Mr. MAGDANZ. Thank you.

Mr. POAGE. We will be delighted now to hear from Mr. Horning.

Mr. Horning is president of the National Association of Wheat Growers.

Mr. HORNING. Thank you. I have with me Mr. Ken Kendrick, who is the executive vice president of our association, and Mr. Charles Allen Tom, vice president of our association.

Mr. POAGE. We are glad to have you both here and to welcome you.

**STATEMENT OF ANSON HORNING, PRESIDENT; ACCOMPANIED BY
KEN KENDRICK, EXECUTIVE VICE PRESIDENT, AND CHARLES
ALLEN TOM, VICE PRESIDENT, NATIONAL ASSOCIATION OF
WHEAT GROWERS**

Mr. HORNING. Mr. Chairman and members of the committee, I would like to leave with you, after completing my statement, a copy of the Congressional Record of August 2, 1955, which might be of interest to your committee members. It was when Mr. Clifford Hope

was here. It is quite a good explanation of the domestic parity plan for wheat.

Mr. POAGE. Thank you. It will be made a part of the files of the committee.

(The document referred to will be found in the files of the committee.)

Mr. HORNING. My name is Anson Horning. I am president of the National Association of Wheat Growers. My home is at Larned, Kans.

We appreciate this opportunity to present testimony for the National Association of Wheat Growers.

First, let me express our appreciation to the Wheat Subcommittee for their part in passing wheat legislation last year. While this legislation did not fully restore wheat income to the 1962 or 1963 levels, it did restore about two-thirds of the support loss that cooperators would have experienced without wheat legislation for 1964 and 1965.

We believe the present voluntary domestic certificate program contains most of the basic principles necessary for a successful long-range wheat program. Just one ingredient is missing—income levels are still too low.

For example, gross wheat income in 1962 was \$2.5 billion; in 1963 it was \$2.35 billion, and income under the present certificate plan is estimated to be about \$2.2 billion for 1964 and 1965. This indicates that since 1962 gross wheat income is down close to \$300 million. This reduction represents a loss on the net income side to wheat farmers.

However, practically everything the wheat farmer has purchased in order to produce wheat since 1962 has been gradually increasing in price. During this same period other segments of our national economy have been experiencing an unparalleled level of prosperity. You just cannot cut down on gross income, then increase expenses year by year, without a substantial drop in net farm income. This is what has happened to wheatgrowers.

Wheatgrowers have made tremendous progress in operating efficiently in attempting to offset the increasing cost-price squeeze. Farm units have been forced to adjust upward in size in order to meet this economic problem. Smaller farm units are being abandoned and absorbed by larger units. However, there is an efficiency breaking point when additional capital and labor are added. These conditions places the family farm in jeopardy.

The inevitable result is an ever-increasing number of farmers going to the city to overcrowd the city's working force or increase the numbers on the relief rolls. The age of many farmers precludes retraining for industry, and in many cases contributes to the poverty problem in our cities.

As the number of farm families decrease as well as their net income, this double tragedy is being felt by every business and profession in the towns and cities of the Wheat Belt. Implement dealers are forced to sell on smaller margins. Banks are limiting credit. Professional people have clients who are unable to pay. This is creating rural areas of poverty. This could and will affect the overall economy of our country.

Our concern is for a program which will benefit wheat producers, and help stabilize all segments of our economy, including local schools, churches, and businesses as well as those located in Detroit, Chicago, and other urban areas.

We believe the domestic portion of our wheat crop should be supported at approximately \$2.50 per bushel or full parity. This would mean a domestic certificate valued somewhere around \$1.25 per bushel. The operation of our present program has proved that this is a reasonable and workable-type program for wheat.

We recognize that an increase of 50 cents per bushel in the value of the domestic certificate would increase the cost of a 1-pound loaf of bread. However, may we point out that in 1947 when wheat was selling for about \$2.75 per bushel, the farmer received only 2.7 cents for the wheat in a 1-pound loaf of bread. Now, today, with the price of domestic wheat at about \$2 per bushel the farmer is getting only 2.5 cents from each loaf of bread. Apparently the farmer's price has little to do with bread prices. Bread prices have increased every year since 1945.

USDA studies indicate that sixty-eight 1-pound loaves of bread are made from a bushel of wheat. This means that with a 1-cent increase in a loaf of bread, the price of a bushel of wheat would have to increase to the farmer by 68 cents in order to fully justify the 1-cent increase in bread prices. The 50-cent increase in the domestic certificate payment we are asking would justify an 8-cent increase in a 1-pound loaf of bread. However, we would anticipate a price increase of 1 cent.

In the past 17 years prices received by wheat farmers have dropped about 30 percent while the prices paid by consumers have increased by 29 percent. Latest figures indicate that consumers now spend only 18.5 percent of their income for food.

Mr. Chairman, we would like to include for the record four charts from the Department of Agriculture to support the information just given with regard to wheat and bread prices.

Mr. POAGE. I am afraid that we do not have a way of getting those into the record, but they may be filed, in the files of the committee.

(The charts referred to, attached to Mr. Horning's statement, will be found in the files of the committee.)

Mr. HORNING. That will be fine.

The domestic market accounts for approximately 5 bushels of every 12 bushels produced. The other 7 bushels must be exported, used for feed, seed, or industrial products. The price for these 7 bushels should be stabilized in relation to the world price and the feeding value of wheat related to feed grains.

Our foreign markets are of real importance to wheatgrowers and our country. We believe the export certificate is important in helping maintain farmers' income and essential for a good export program. As adjustments are made in world prices between exporting countries, some tool, such as the export certificate, becomes extremely important.

The National Association of Wheat Growers opposes payment limitations to cooperators.

We know, Mr. Chairman, there has been many printed reports in recent months indicating that perhaps our 1 million most efficient farmers do not need any kind of Government support and could successfully compete with other segments of our economy without these programs. This simply is not true.

All economic studies indicate that without the price stabilization programs of recent years, net farm income would now be about \$6 billion instead of \$12 billion.

An even more recent study indicates that our 140,000 largest farmers whose gross sales average more than \$40,000 annually and whose net income is about \$10,000, without price stabilization programs and Government payments during the past 3 years, this group of commercial farmers would have operated at a loss of about \$10,000 per year.

The substitution clause as used in the present program is extremely important to farmers as more freedom of planning and operation is left up to the operator.

The overseeding privilege for those who live in high-risk areas which allows overplanting of their allotment, providing they store this grain at their own expense and later use this production in case of crop failure, underproduction, or underplanting has real value in stabilizing farm and community business during bad crop years.

We fully support the escalator clause of the Purcell bill. This mechanism would give wheat producers an opportunity to stay in line with other segments of our economy incomewise, without the necessity of passing new legislation.

We need a long-range program. Farmers are tired of having a new program to become acquainted with every year. Planning and working fields for crops in the summer fallow area means planning 2 years in advance of harvest at the very minimum. So anything less than 4 years or a permanent program causes concern and confusion.

Economy in government is of great concern, if not an issue. I should like to point out that the process of supporting the domestic portion of our wheat used for food at full parity by the use of certificates which are paid for in or out of the marketplace certainly reduces the cost of the program to our Government. Using CCC as the collecting agency which in turn pays this collection portion to the wheat farmer, represents a service to the wheat producer by his Government. I also would like to point out that using this method represents a saving to the miller insofar as capital is required for wheat stocks, because the certificate portion of the ultimate cost of domestic wheat is not paid for until after the wheat is milled.

The National Association of Wheat Growers would not oppose an increase in the selling price of commodity credit stocks of wheat and feed grains, provided none of the following provisions in the present wheat law are changed: (1) The loan level for wheat or feed grains is not adjusted downward; (2) that the substitution clause remain effective; and (3) the income feature of the export certificate be retained.

These features in the wheat bill are of primary importance to wheat-growers, and do provide flexibility and an opportunity for improvement of income. We believe that the loss of any of these features would reduce farm income more than the 115 percent resale of CCC stocks plus carrying charges would improve our farmer's income.

At the present time the Purcell bill comes nearest to meeting the objectives of the National Association of Wheat Growers as outlined in the preceding testimony.

Mr. Chairman, on February 4, 1965, the President delivered to the Congress a special agricultural message. He said:

The farm people of this Nation have made and are continuing to make a lasting contribution to our national prosperity. As a matter of simple justice they should share equitably in this prosperity.

Mr. Chairman, if this subcommittee will incorporate into the wheat bill the improved income features we have suggested, it will, in

our judgment, take one long step toward achieving this simple justice for the wheat farmer.

The National Association of Wheat Growers appreciates this opportunity to present our views.

Mr. POAGE. We certainly appreciate your appearance here today. We appreciate your presentation. We are delighted to have you.

There is a quorum call in the House. Are there any questions?

Mr. FINDLEY. You say that you are opposed to limitation on payments to cooperatives. How big do these payments get? Do they in some cases exceed \$100,000 a year?

Mr. HORNING. I do not have this information. It is available in the Department, I am sure.

Mr. FINDLEY. Do you know if there have been cases where the figure has gone this high?

Mr. HORNING. I will ask Mr. Tom. Do you have anything on that?

Mr. TOM. I am not aware of them.

Mr. FINDLEY. Mr. Horning, do you cooperate under the wheat program?

Mr. HORNING. We do.

Mr. FINDLEY. Do you mind stating how much your payments amounted to for the past year?

Mr. HORNING. About \$5,000 in wheat total overall.

Mr. FINDLEY. Thank you.

Mr. POAGE. Are there any further questions?

Mr. DOLE. I have just one question.

On page 4 of your statement, Mr. Horning, you mention the importance of retaining export certificates but do not place a value on them. At the present, could you state what the value should be?

Mr. HORNING. I would presume that the income feature would be around 25 cents. We did not specify it. We do not, as I am sure you know, know exactly what all of the bills will be at this particular time, but we do think that we should maintain the income.

Mr. DOLE. Even with full parity for domestic production you would advocate export certificates?

Mr. HORNING. As to the export feature, that was not specific on the main income part of it—there might be differences there.

Mr. DOLE. Thank you.

Mr. POAGE. Thank you again, Mr. Horning.

If there are no further questions we are very much obliged to you, Mr. Horning, and to your associates.

Mr. HORNING. Thank you.

Mr. POAGE. That completes the list of witnesses.

Without objection I will place in the record at this time a letter dated March 20, 1965, which was addressed to Mr. Horning of the National Wheat Growers Association.

(The letter referred to and an additional letter submitted to the subcommittee follow:)

FIRST NATIONAL BANK IN LARNED,
Larned, Kans., March 20, 1965.

MR. A. W. HORNING,
President, National Wheat Growers Association,
Larned, Kans.

DEAR MR. HORNING: To the question you have posed, "Do we need a Government program for agriculture?", the answer obviously, as we see it, is "yes" in

speaking for the family-size farmer of this area and likewise for the entire business community, such as ours, and other small towns and villages who are directly dependent upon agriculture income.

Complete removal of Government controls with respective subsidies to supplement farm income would only spell doom and financial chaos for the average American farmer, the rural area businessman, professional man, and all related industries. It would not be consistent to think otherwise, in spite of our dislike for controls and our general reluctance to admit we have a controlled economy—we do have it. Agriculture, therefore, cannot stand alone without help through a Government program. It is just that simple.

Likewise, the Government program should be so designed to bring a best possible solution in balance between supply and demand without part, as we now have, but full parity income for the producer. He, too, should be entitled to receive a fair return for his labors and on capital investment just as any other capital industry, labor, or profession, without discrimination just because his political significance or influence has become less important by reason of minority.

No nation has ever been so blessed as ours with fine quality and quantity of food and fiber. It has been repeated over and over—the bulwark of strength our Nation enjoys among other nations of the world rests in our ability to produce food and fiber in surplus of our needs; let us make no mistake and keep it that way. This can only be done with a strong and vigorous agricultural economy which at present is and has been showing marked signs of weakness since 1951. During this period farmers have been financing their requirements on borrowed funds rather than from income. Both short- and long-term indebtedness has materially increased and in too many cases to a far greater extent than the ability to repay from income received at present commodity prices.

This trend most certainly should be of paramount interest and concern of all, in public and private responsibility alike—lest our American heritage and No. 1 national asset be permitted further deterioration for lack of our help and attention.

Yours respectfully,

E. H. ROTH, *Vice President.*

CLAUSSEN'S, INC.,
Augusta, Ga., May 25, 1965.

Representative ROBERT G. STEPHENS,
*Old House Office Building,
Washington, D.C.*

DEAR REPRESENTATIVE STEPHENS: I am writing to you as a manager of several bakeries, employing some 650 people. I am writing to you because I am concerned about the adverse effect that H.R. 7097, now before the Wheat Subcommittee of the House Agriculture Committee, will have upon the baking industry and its employees and upon the cost of bread to the consumer.

If I understand what I read about the bill, it will result in a rather substantial increase in the price of flour to the bakers. The bakers of the country simply are in no position to absorb this additional cost; they must pass it on to the consumer in the form of increased price of bread.

There are voluminous statistics, which I will not burden you with here, to substantiate my opinion that this is a bill harmful to the baking industry and its employees, the recipient of poverty benefits from the Government, the general consumer, and the economy as a whole for its inflationary effects.

May I strongly urge you to oppose this bill and vote against it.

Yours very truly,

B. D. TROUT,
Vice President and General Manager.

Mr. POAGE. We will not be able to meet tomorrow morning. There is a full committee meeting. I think that we will recess now until next week. There will be an announcement as to the meeting date for next week.

The subcommittees will now stand adjourned.

(Whereupon, at 12:15 p.m., the subcommittees adjourned.)

WHEAT AND FEED GRAINS

WEDNESDAY, MARCH 31, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FEED GRAINS
AND THE SUBCOMMITTEE ON WHEAT OF
THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittees met, at 10:10 a.m., pursuant to recess, in room 1310, Longworth House Office Building, Hon. W. R. Poage (chairman of the Subcommittee on Livestock and Feed Grains) presiding.

Present: Representatives Poage (presiding), Stubblefield, Olson, Foley, Redlin, Bandstra, Greigg, Callan, Quie, Mrs. May, Latta, Harvey of Indiana, Findley, and Dole.

Also present: Representatives Gathings and Teague of California.

Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimbarger, general counsel; Robert C. Bruce, assistant counsel; Francis LeMay, consultant; and Martha Hannah, staff.

Mr. POAGE. The subcommittees will please come to order.

Frankly, this meeting is primarily that of the Subcommittee on Wheat. I had expected Mr. Purcell to be here this morning to preside. The Livestock and Feed Grains Subcommittee is sitting in on this, but basically we are going to hear wheat testimony this morning. Mr. Purcell was unexpectedly called to Cheyenne, Wyo., where the National Food Marketing Commission of which he is a member is holding a meeting. He felt that he would not have to leave until this afternoon, but they asked him to come out there last night. That is why he is not present here.

We have scheduled this morning the opportunity for all of our colleagues who care to do so and who have introduced wheat and/or feed grain legislation, primarily wheat bills, to explain their bills and to present their arguments in favor thereof. We have a long witness list here. As I understand it, we have about 18 or 20 individuals scheduled, if they care to testify. Frankly, I do not know that any of them are here. They have all been notified, have they not?

Mrs. GALLAGHER (the clerk). Yes, they have.

Mr. POAGE. Mr. Latta is scheduled to testify on H.R. 1059. And he is obviously not present. We will therefore pass that bill. I am not going to promise anybody to have a rehearing, because the whole purpose of this was to give people an opportunity to testify while the committee had an opportunity to hear them. We will, of course, try to accommodate our members to the best of our ability.

The next one we have is H.R. 1595, Mr. Findley. Mr. Findley is not here.

The next is H.R. 1752 by Mr. Younger. He is not a member of our committee but a Member of Congress. He is not present and we will pass that bill. I do not see him here.

The next is H.R. 2210 by Mr. Harvey of Indiana. We would like to hear you now, Mr. Harvey.

(Mr. Findley's bill, H.R. 1595, and Mr. Younger's bill H.R. 1752 are both similar to Mr. Harvey's bill, H.R. 2210, the text of which follows:)

[H.R. 2210, 89th Cong., 1st sess.]

A BILL To adjust wheat and feed grain production, to establish a cropland retirement program, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Wheat and Feed Grain Act of 1965".

DECLARATION OF POLICY

SEC. 2. The Congress finds that the production of excessive supplies of wheat and feed grains depresses prices and the income of farm families, constitutes improper land use, and is wasteful of our natural resources. It is hereby declared to be the policy of the Congress and the purpose of this Wheat and Grain Feed Act of 1965 to bring the supplies of wheat and feed grains into line with current demand in order to (a) increase per family farm income; (b) reduce the surplus of wheat and feed grains; and (c) decrease the public costs of maintaining farm programs. To effectuate the policy of Congress and the purpose of this Act, programs are herein established to assist farmers in (1) diverting a portion of their cropland from the production of excessive supplies of wheat, feed grains, and other commodities; (2) carrying out a voluntary program of soil, water, forest, and wildlife conservation; and (3) obtaining commodity prices in the marketplace higher than levels at which commodity loans are made available by the Commodity Credit Corporation.

TITLE I—LAND RETIREMENT AND SOIL CONSERVATION

ANNUAL DETERMINATION—VOLUNTARY LAND RETIREMENT—RENTAL PAYMENTS IN CASH

SEC. 101. Beginning with the 1966 crop year the Secretary of Agriculture is authorized and directed to establish and carry out a cropland retirement program. In formulating and administering such program—

(a) The Secretary shall each year make and announce the annual determination of—

(1) the estimated total cropland available for the production of crops in the United States in that year;

(2) the total acreage of farm cropland necessary to be retired and devoted to soil-conserving uses in order to bring the total estimated annual production plus the anticipated release from the Commodity Credit Corporation stocks into balance with the estimated annual disappearance of soil-depleting commodities; and

(3) the acreage that can be retired effectively and economically in the respective year.

(b) The Secretary is authorized to enter into contracts covering periods of three or more years with producers determined by him to have control for the contract period of the farms covered by the contracts, if such producers agree to retire and devote to soil-conserving uses any or all farm cropland. The Secretary shall determine and announce the period within which such contracts will be entered into. This period shall be of sufficient duration to provide an opportunity for maximum producer participation. The Secretary shall encourage the retirement of whole farms and shall provide full opportunity for producers of all commodities to participate voluntarily in the cropland retirement program: *Provided*, That the Secretary shall place a maximum limitation on the percentage of total cropland which may be retired and devoted to soil-conserving uses in any State or county if he finds that such action is necessary to prevent the cropland retirement program from having an unduly disruptive effect on the economies of counties and local communities: *And provided further*, That

any cropland retired and devoted to soil-conserving uses under this title shall be deemed in subsequent years to have been planted cropland for the purpose of establishing cropland history.

(c) The Secretary shall make an annual rental payment to producers who: (1) retire and devote cropland to soil-conserving uses with proper management pursuant to subsection (b) of this section, and (2) otherwise comply with the cropland retirement program as set forth in this title.

The Secretary shall determine the rate of rental payments that will provide producers with a fair and reasonable annual return on the land retired and devoted to soil-conserving uses after taking all relevant factors into consideration, including (1) the incentive necessary to achieve voluntary participation in the program, (2) the loss of crop production on the retired acres, (3) any savings in cost which result from not planting crops, (4) the estimated profit margin of crop production on the designated acres, (5) continuing farm overhead expenses, (6) the cost of establishing a conservation practice on the retired acres, (7) the value of the land for production of commodities customarily grown on such kind of land in the county or area, and (8) drought, flood, or other abnormal condition.

The rate on lands determined in accordance with the preceding paragraph shall be adjusted on a State, county, and individual farm basis in such a manner as the Secretary determines will facilitate the practical administration of the program. The lands to be covered by contracts shall be determined by a competitive bid procedure whereby a producer wishing to obtain a contract shall specify the percentage of the rental rate applicable to his farm which he is willing to accept.

(d) The Secretary shall compensate producers for participating in the cropland retirement program through annual cash payments.

In order to assist producers in the establishment of soil-conserving uses on cropland retired under the cropland retirement program, the Secretary shall coordinate such program with the agriculture conservation program established pursuant to the Soil Conservation and Domestic Allotment Act, as amended (49 Stat. 163; 16 U.S.C. 590 et seq.).

TERMS AND CONDITIONS OF CONTRACTS WITH PRODUCERS

SEC. 102. (a) Under any cropland retirement contract the producer shall agree—

(1) to establish and maintain with proper management for the contract period protective vegetative cover (including but not limited to grass and trees), water storage facilities or other soil-, water-, wildlife-, or forest-conserving uses (excluding orchards and vineyards) on an acreage of land which is specifically designated at the time the contract is entered into and which has been regularly used in the production of crops (including crops such as tame hay, alfalfa, and clovers), which do not require annual tillage;

(2) to allow to remain fallow, idle, and in the production of crops (including tame hay, alfalfa, and clovers) which do not require annual tillage throughout the contract period, an acreage of the remaining cropland on the farm which is not less than the acreage normally allowed to remain fallow, idle, and in the production of crop which do not require annual tillage on such remaining acreage;

(3) not to harvest any crop from the acreage established in the protective vegetative cover, excepting timber (in accordance with sound forestry management) and wildlife or other natural products of such acreage which do not increase supplies of feed for domestic animals;

(4) not to graze any acreage established in protective vegetative cover;

(5) not to adopt any practice, or divert lands on the farm from conservation, woods, grazing, or other noncropland use, to any use specified by the Secretary in the contract as a practice or use which would tend to defeat the purposes of the contract;

(6) to abide by regulations prescribed by the Secretary with respect to the planting of crops during the contract period for later harvest or use; and

(7) to such additional provisions as the Secretary determines are desirable and includes in the contract to effectuate the purposes of this title and to facilitate the practical administration of the cropland retirement program, including provisions relating to control of insects, rodents, and noxious and other objectionable weeds.

(b) In the event that the Secretary determines that there has been a violation of the contract (including the prohibition of grazing on retired acreage) at any stage during the time such producer has control of the farm and that such violation is of such a substantial nature as to warrant termination of the contract, the producer shall forfeit all rights to payments of grants under the contract, and shall refund to the United States all payments and grants received by him thereunder. In the event that the Secretary determines that there has been a violation of the contract but that such violation is of such a nature as not to warrant termination of the contract, the producer shall accept such payment adjustments, and make such refunds to the United States of payments received by him, under the contract, as the Secretary may determine to be appropriate.

SEC. 103. The Soil Bank Act, as amended (70 Stat. 188; 7 U.S.C. 1801 et seq.), is amended as follows:

ADMINISTRATIVE AND JUDICIAL REMEDY

(1) The first sentence of section 107(d) of such Act (7 U.S.C. 1831(d)) is amended by adding after the words "paragraph (6) of subsection (a)" the phrase "or under section 102(b) of the Wheat and Feed Grain Act of 1965".

EFFECT ON OTHER PROGRAMS

(2) Section 112 of such Act (7 U.S.C. 1836) is amended by adding after the words "under this subtitle" each time it appears therein the phrase "or under title I of the Wheat and Feed Grain Act of 1965".

GEOGRAPHIC APPLICABILITY

(3) Section 113 of such Act (7 U.S.C. 1837) is amended by adding after the words "subtitle B" the phrase "and title I of the Wheat and Feed Grain Act of 1965".

REAPPORTIONMENT PROHIBITED

(4) Section 115 of such Act (7 U.S.C. 1803) is amended by adding after the words "conservation reserve programs" the phrase "or the cropland retirement program established pursuant to title I of the Wheat and Feed Grain Act of 1965".

UTILIZATION OF LOCAL AND STATE COMMITTEES

(5) Section 117 of such Act (7 U.S.C. 1805) is amended by adding after the words "this title" the phrase "or title I of the Wheat and Feed Grain Act of 1965".

UTILIZATION OF OTHER AGENCIES

(6) Section 118 of such Act (7 U.S.C. 1806) is amended by adding after the words "this title" the phrase "or title I of the Wheat and Feed Grain Act of 1965".

UTILIZATION OF LAND USE CAPABILITY DATA

(7) Section 119 of such Act (7 U.S.C. 1807) is amended by adding after the words "this title" the phrase "or title I of the Wheat and Feed Grain Act of 1965".

FINALITY OF DETERMINATIONS

(8) Section 121 of such Act (7 U.S.C. 1809) is amended by adding after the words "this title" the phrase "or under title I of the Wheat and Feed Grain Act of 1965".

PROTECTION OF TENANTS AND SHARECROPPERS

(9) Section 122 of such Act (7 U.S.C. 1810) is amended by adding after the words "this title" the phrase "or under title I of the Wheat and Feed Grain Act of 1965".

PENALTY FOR GRAZING OR HARVESTING

(10) Section 123 of such Act (7 U.S.C. 1811) is amended by adding after the words "section 103 or 107" the phrase "or under title I of the Wheat and Feed Grain Act of 1965".

POOLING OR CROPLAND RETIREMENT LAND

(11) Section 126 of such Act (7 U.S.C. 1814) is amended by adding after the words "conservation reserve program" the phrase "or in the cropland retirement program pursuant to title I of the Wheat and Feed Grain Act of 1965".

INCORRECT INFORMATION FURNISHED BY THE GOVERNMENT—MARRIAGE OF PRODUCERS

(12) Section 128 of such Act (7 U.S.C. 1816) is amended by adding after the words "conservation reserve program" the phrase "or the cropland retirement program established pursuant to title I of the Wheat and Feed Grain Act of 1965".

AUTHORIZED PERIOD OF CONTRACT AND EXPENDITURE—APPROPRIATIONS

SEC. 104. (a) The Secretary is authorized to formulate and announce programs under this title and to enter into contracts thereunder with producers during the three-year period 1966–68 to be carried out during the period ending not later than December 31, 1973, except that contracts for establishment of tree cover may continue until December 31, 1978.

(b) The period covered by any contract shall not be less than three years and shall not exceed five years, except that contracts for the establishment of tree cover may extend for ten years.

(c) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this title, including amounts as may be required to reimburse the Commodity Credit Corporation for its actual costs.

TERMINATION AND MODIFICATION OF CONTRACTS

SEC. 105. The Secretary may terminate any contract with a producer by mutual agreement with the producer if the Secretary determines that such termination would be in the public interest. The Secretary may agree to such modification of contracts previously entered into as he may determine to be desirable to carry out the purposes of this title and to facilitate the practical administration of the cropland retirement program.

REGULATIONS

SEC. 106. The Secretary shall prescribe such regulations as he determines necessary to carry out the provisions of this title.

TITLE II—REPEAL OF AUTHORITY FOR ACREAGE ALLOTMENTS, MARKETING QUOTAS, AND MARKETING CERTIFICATES ON WHEAT AND ACREAGE ALLOTMENTS ON CORN—PRICE SUPPORT ON WHEAT, CORN, OATS, RYE, BARLEY, AND GRAIN SORGHUM

SEC. 201. Notwithstanding any other provision of law, effective with the 1966 crops of wheat, corn, oats, rye, barley, and grain sorghum, sections 321 through 339 of parts II and III of subtitle B and section 379(a) through 379(j) of subtitle D of title III of the Agricultural Adjustment Act of 1938, as amended (52 Stat. 31; 7 U.S.C. 1281 et seq.), are repealed. Parts IV, V, and VI of subtitle B are redesignated as parts II, III, and IV respectively, and subtitle F is redesignated subtitle D.

SEC. 202. Effective with the 1966 crop of wheat, the Act of May 26, 1941, as amended (Public Law 74, Seventy-seventh Congress, 55 Stat. 203), is repealed.

SEC. 203. Effective with the 1966 crops of wheat, corn, oats, rye, barley, and grain sorghum, sections 327 and 328 of the Food and Agriculture Act of 1962 (Public Law 87–703, Eighty-seventh Congress) are repealed.

SEC. 204. Effective with the 1966 crops of corn, oats, rye, barley, and grain sorghum, section 105 of the Agricultural Act of 1949, as amended (7 U.S.C. 1441 note), is amended to read as follows:

"SEC. 105. (a) Notwithstanding the provisions of section 101 of this Act, beginning with the 1966 crop, price support shall be made available to producers for each crop of corn at 90 per centum of the average price received by farmers, excluding payments in kind made by the Secretary, during the three complete marketing years immediately preceding the calendar year in which the marketing year for such crop begins, adjusted to offset the effect on such price of any abnormal quantity of low-grade corn marketed during any

of such years: *Provided*, That the level of price support for any crop of corn shall not be less than 50 per centum of the parity price therefor.

“(b) Beginning with the 1966 crop, price support shall be made available to producers for each crop of oats, rye, barley, and grain sorghum at a level which relates to the level at which price support is made available for corn as the feed value of such commodity relates to the feed value of corn.”

SEC. 205. Effective with the 1966 crop of wheat, section 107 of the Agricultural Act of 1949, as amended (7 U.S.C. 1445(a)), is amended to read as follows:

“SEC. 107. Notwithstanding the provisions of section 101 of this Act, beginning with the 1966 crop, price support shall be made available to producers for each crop of wheat at the United States farm price equivalent, as determined by the Secretary, of the average world market price during the three complete marketing years immediately preceding the calendar year in which the marketing year for such crop begins, with premiums and discounts as indicated by the market to reflect milling and baking quality: *Provided*, That the level of price support for any crop of wheat shall not be less than 50 per centum of the parity price therefor.”

TITLE III—GENERAL PROVISIONS

FEDERAL IRRIGATION, DRAINAGE, AND FLOOD CONTROL PROJECTS

SEC. 301. Section 211 of the Agricultural Act of 1956, as amended (7 U.S.C. 1860), is amended (1) by striking “three years” each time it appears therein and inserting in lieu thereof “thirteen years”, and (2) by adding after the words “soil bank provisions of the Act” in subsection (b) the phrase “and under title I of the Wheat and Feed Grain Act of 1965”.

RESTRICTIONS ON SALES BY THE COMMODITY CREDIT CORPORATION

SEC. 302. Section 407 of the Agricultural Act of 1949, as amended (7 U.S.C. 1427), is amended—

(a) By changing the period at the end of the fourth sentence to a colon and adding the following: “*Provided*, That beginning July 1, 1965, the Commodity Credit Corporation shall not make any sales (except sales offset by equivalent purchases) of wheat, corn, oats, rye, barley, grain sorghums, soybeans, or flaxseed at less than 125 per centum of the current support price for any such commodity, plus reasonable carrying charges.”, and

(b) By deleting the seventh sentence.

STATEMENT OF HON. RALPH HARVEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. HARVEY. Mr. Chairman, unfortunately, I have not finished preparing my statement, but I will have it prepared by tomorrow. And in view of that I would ask permission to file the statement in lieu of presenting it at this time.

Mr. POAGE. Without objection, that permission will be granted. (The statement of Hon. Ralph Harvey follows:)

STATEMENT OF RALPH HARVEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. Chairman, I deeply appreciate the opportunity of presenting my views for the record on H.R. 2210 dealing with wheat, feed grains, and cropland retirement.

I have introduced this bill first because I think it would be a great improvement over our current hodgepodge of so-called temporary programs for wheat and feed grains. These current programs have been extremely costly, ineffective, complicated to farmers, depressing of farm market prices, very costly to the Government which means the taxpayer, and because of the bread tax provision of the current wheat program the lowest income consumer who uses the highest percentage of flour and wheat products is penalized.

Further I have been against the current programs because I honestly feel from contacts with my farm constituents that they want them done away with and a program such as is encompassed in H.R. 2210 enacted in lieu thereof.

Indiana farmers for years have urged me to support a cropland retirement program tied to a realistic price support program for wheat and feed grains that relates to the market price. My farmers also have deeply resented the dumping of CCC stocks of both wheat and feed grains under current programs to depress the market price. My farmers have always felt that support prices should be a floor under the market that would permit the market to function rather than a ceiling over the market that would prohibit prices from rising. Raising the CCC release price to 125 percent is a very important part of my bill.

My farmers also feel that Soft Red Winter wheat, the kind they produce, is not in great surplus. The fact is it is in short supply much of the time. They resent very much being told that if they comply with the current program they will only get domestic certificates on 45 percent of their normal production, whereas the record shows that 71.3 percent of Soft Red Winter wheat over the past 5 years has been used for domestic purposes.

Such discretion hurts the wheat farmers in my district and in all of Indiana, so I vigorously oppose the current program extension.

The arbitrary nature of the percentage allocations to the various certificate classifications is best illustrated by the following data on the average utilization of wheat for the 5 years, 1959-63.

Utilization as—	Million bushels	Percent of utilization	Corresponding allocation under 1965 program
Domestic food.....	505.1	39.6	45 percent domestic certificate.
Feed, seed, and industrial.....	90.3	7.1	20 percent noncertificate.
Exports.....	679.2	53.3	35 percent export certificate.
Total.....	1,274.6	100.0	

The individual producer receives domestic certificates for only 45 percent of his normal yield, even though he may produce high-quality wheat that goes entirely into production of domestic food. At the other extreme, a qualifying producer receives domestic certificates for 45 percent of his normal yield even though his entire production is exported or is a low-quality wheat used exclusively for livestock and poultry feed.

As shown below, the average domestic utilization in the 5 years 1959-63 varied from a low of 23.9 percent of the total use in the case of White wheat, to a high of 76.2 percent of total use in the case of Hard Red Spring wheat.

Utilization of wheat, by classes

[Average for 5 years, 1959-63]

Class	Domestic uses	Export	Total use	Percentage used for—	
				Domestic use	Export
	Million bushels	Million bushels	Million bushels		
Hard Red Winter.....	261.0	442.6	703.6	37.1	62.9
Hard Red Spring.....	135.6	42.4	178.0	76.2	23.8
Soft Red Winter.....	134.0	54.0	188.0	71.3	28.7
Durham.....	24.2	22.1	35.4	68.4	31.6
White.....	40.6	129.0	169.6	23.9	76.1
All wheat.....	595.4	679.2	1,274.6	46.7	53.3

Under the bill I have introduced the wheat farmer in my district would be free to plant wheat for the domestic market in competition with wheat grown in other parts of the country. If all my wheat farmers get a reasonable floor under their price as my bill requires they are more than willing to produce in this competitive

market. Their yields are normally high and they are efficient producers and will do well under such a program.

My farmers have been strong for the cropland retirement program on a completely voluntary basis so that those wheat farmers in my area or any other area who want to get out of wheat production or feed grain production can do it and be compensated on a competitive bid basis.

This program encompassed in the bill I have introduced will help solve the wheat and feed grain surplus problem within the framework of the market system. It gets completely away from historic bases, yield factors, minimum allotments, administrative discretion, and other problems inherent in current Government efforts to regulate individual farming operations. It preserves the very important right and opportunity for each farmer to make his own decisions. It provides for needed adjustments in resource use without forcing every farmer to retire a part of his farm without regard to his individual situation. It uses support prices tied to the market to encourage orderly marketing and orderly adjustments in production rather than to fix prices. In order to give the market an opportunity to function, it provides protection against the dumping of CCC stocks.

I sincerely hope that this committee will seriously consider my bill at the time they draft legislation to replace the current programs for wheat and feed grains.

Mr. POAGE. The next is H.R. 2252, by Mr. Whalley. He is not here.

The next is H.R. 2847, by Mr. Pirnie. I do not see Mr. Pirnie here.

The next is H.R. 3022, by Mr. Teague of California. I do not see Mr. Teague here.

The next is H.R. 3023, by Mr. Teague of Texas. He is not here either.

The next is H.R. 3138, by Mr. Anderson of Illinois. I do not believe he is here.

The next is H.R. 3383, by Mr. Hutchinson, a former member of our committee. He is not here.

The next is H.R. 3600, by Mr. McClory. He is not here.

The next is H.R. 3720, by Mr. Saylor, who is not present.

The next is H.R. 3829, by Mr. Talcott. I do not believe he is here.

The next is H.R. 4231, by Mr. Clark. He is not here.

The next is H.R. 4254, by Mr. Hagen of California. And he is not here.

The next is another bill by Mr. Latta, H.R. 4401. He is not here.

The next is H.R. 4536, by Mr. Hansen of Idaho. He is not here.

The next is H.R. 4759, by Mr. Dent. He is not here.

The next is H.R. 4806, by Mr. Stafford. He is not here.

The next is H.R. 4961, by Mr. Mathias. He is not here.

The next is H.R. 5066, by Mr. Burton of Utah, a colleague of ours on this committee. He is not here.

The next is H.R. 5178, by Mr. Morton. He is not here.

The next is H.R. 6019, by Mr. Nelson. And he is not here.

(All of the bills referred to above are similar to Mr. Harvey's H.R. 2210, the text of which may be found on p. 70.)

Mr. POAGE. I want to get the record clear on this. Were these people called?

Mrs. GALLAGHER (the clerk). Yes, sir.

Mr. POAGE. Mr. Findley has come in. He is the only one of this large group who is present to be heard, other than Mr. Harvey of Indiana who was here. He asked to extend his remarks in the record.

We now have Mr. Andrews, of North Dakota, who is present and we will be delighted to hear from you now, Mr. Andrews.

Mr. Andrews has introduced H.R. 4140.

(H.R. 4140 follows:)

[H.R. 4140, 89th Cong., 1st sess.]

A BILL To provide for a voluntary wheat domestic parity program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

REPEAL OF PROVISIONS RELATING TO WHEAT MARKETING QUOTAS—EXTENSION OF PROVISION FOR MINIMUM NATIONAL ACREAGE ALLOTMENT OF FORTY-NINE MILLION FIVE HUNDRED THOUSAND ACRES

SECTION 1. (a) Sections 332 and 333 of the Agricultural Adjustment Act of 1938, as amended by section 311 and 312 of Public Law 87-703, are amended to read as follows:

“PRODUCTION OBJECTIVE

“SEC. 332. (a) The production objective for wheat for any marketing year shall be an amount of wheat which the Secretary estimates (i) will be utilized during such marketing year for human consumption in the United States as food, food products, and beverages, composed wholly or partly of wheat, (ii) will be utilized during such marketing year in the United States for seed, (iii) will be exported either in the form of wheat or products thereof, and (iv) as the average amount which was utilized as livestock (including poultry) feed in the marketing years beginning in 1959 and 1960; less (A) an amount of wheat equal to the estimated imports of wheat into the United States during such marketing year and, (B) if the stocks of wheat owned by the Commodity Credit Corporation are determined by the Secretary to be excessive, an amount of wheat determined by the Secretary to be a desirable reduction in such marketing year in such stocks to achieve the policy of the Act: *Provided*, That if the Secretary determines that the total stocks of wheat in the Nation are insufficient to assure an adequate carryover for the next succeeding marketing year, the production objective otherwise determined shall be increased by the amount the Secretary determines to be necessary to assure an adequate carryover: *And provided further*, That the production objective for wheat for any marketing year shall be not less than the larger of (i) one billion bushels, or (ii) such number of bushels as will require proclamation of a national acreage allotment of forty-nine million five hundred thousand acres.

“(b) If, after the proclamation of the national acreage allotment for any crop of wheat, the Secretary has reason to believe that, because of a national emergency or because of a material increase in the demand for wheat, the production objective should be increased, he shall cause an immediate investigation to be made to determine whether such action is necessary in order to meet such emergency or increase in the demand for wheat. If, on the basis of such investigation, the Secretary finds that such action is necessary, he shall immediately proclaim such finding and the amount of any such increase found by him to be necessary and thereupon such production objective shall be so increased. In case any production objective is increased under this subsection, the Secretary shall provide for such increase by increasing acreage allotments established under this part by a uniform percentage.

“NATIONAL ACREAGE ALLOTMENT

“SEC. 333. Not later than April 15 of each calendar year the Secretary shall ascertain and proclaim the national acreage allotment for the crop of wheat produced in the next succeeding calendar year. The amount of the national acreage allotment for any crop of wheat shall be the number of acres which the Secretary determines on the basis of expected yields and expected underplantings of farm acreage allotments will, together with the expected production on the increases in acreage allotments for farms based upon small-farm base acreages pursuant to section 335, make available a supply of wheat equal to the production objective for wheat for such marketing year.”

(b) Public Law 74, Seventy-seventh Congress, is repealed, and the Agricultural Adjustment Act of 1938, as amended, is amended by striking out the following provisions relating to wheat marketing quotas: (1) the sentence in section 334(i) relating to paragraph (6) of Public Law 74, Seventy-seventh Congress; (2) the

words "and marketing quotas for the marketing year therefor" in the second sentence of section 334a; (3) the first and next to last sentences of section 335; (4) sections 336 and 338; (5) "wheat," in section 372(a); and (6) the two sentences of section 379c(b) immediately preceding the language added to that section by section 202(13) of the Agricultural Act of 1964.

(c) The following headings contained in the Agricultural Adjustment Act of 1938, as amended, are amended as follows:

(1) The heading of subtitle B of title III is amended to read "SUBTITLE B—MARKETING QUOTAS AND ACREAGE ALLOTMENTS".

(2) The heading of part III of subtitle B of title III is amended to read "PART III—ACREAGE ALLOTMENTS—WHEAT".

(3) The heading of section 335 is amended to read "MINIMUM ALLOTMENT".

REPEAL OF ACREAGE PENALTIES FOR OVERPLANTING OR UNDERPLANTING ALLOTMENTS

SEC. 2. (a) The second proviso of section 334(a) of the Agricultural Adjustment Act of 1938, as amended, is amended by inserting "and any subsequent year" after "1965".

(b) The second proviso of section 334(b) of such Act is amended by inserting "and any subsequent year" after "1965".

(c) So much of the third sentence of section 334(c) of such Act as precedes "*Provided*" is amended to read as follows: "For the purpose of establishing farm acreage allotments—(i) the past acreage of wheat on any farm for 1958 or any year subsequent to 1964 shall be the base acreage determined for the farm under the regulations issued by the Secretary for determining farm wheat acreage allotments for such year; (ii) if subsequent to the determination of such base acreage the wheat acreage allotment for the farm for 1958 or any year subsequent to 1964 is increased through administrative, review, or court proceedings, the farm base acreage for such year shall be increased in the same proportion; and (iii) the past acreage of wheat for 1959 and any subsequent year prior to 1965 shall be the wheat acreage on the farm which is not in excess of the farm wheat acreage allotment, plus, in the case of any farm which is in compliance with its farm wheat acreage allotment, the acreage diverted under such wheat allotment program".

(d) The first sentence of section 334(g) of such Act is amended by striking out "1958 or thereafter except 1965" and inserting "the years 1958 through 1964".

MILLION ACRE SPECIAL ACREAGE RESERVE

SEC. 3. The first sentence of the language added at the end of section 334(a) of the Agricultural Adjustment Act of 1938, as amended, by section 202(1) of the Agricultural Act of 1964 (providing for a special acreage reserve not in excess of one million acres) is amended by striking out "not in excess of one million acres as determined by the Secretary to be desirable for the purposes hereof" and inserting "one million acres".

FULL PARITY FOR WHEAT FOR DOMESTIC FOOD CONSUMPTION

SEC. 4. (a) Section 107 of the Agricultural Act of 1949, as amended (7 U.S.C. 1445a), is amended to read as follows:

"SEC. 107. Notwithstanding the provisions of section 101 of this Act, beginning with the 1966 crop—

"(1) price support for wheat accompanied by marketing certificates shall be at a level equal to the full parity price therefor,

"(2) price support for wheat not accompanied by marketing certificates shall be at such level, not in excess of 90 per centum of the parity price therefor, as the Secretary determines appropriate, taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains: *Provided*, That the level of price support for such wheat shall in no event be less than the higher of (i) the United States farm price equivalent as determined by the Secretary, of the average world market price for wheat during the immediately preceding three marketing years, or (ii) 50 per centum of the parity price therefor;

"(3) price support shall be made available only to cooperators; and if a commercial wheat-producing area is established for such crop, price support shall be made available only in the commercial wheat-producing area; and

“(4) a ‘cooperator’ with respect to any crop of wheat produced on a farm shall be a producer who (i) does not knowingly exceed (A) the farm acreage allotment for wheat or any other commodity on the farm or (B) except as the Secretary may by regulation prescribe, the farm acreage allotment on any other farm for any commodity in which he has an interest as a producer, and (ii) complies with the land-use requirements of section 339 of the Agricultural Adjustment Act of 1938, as amended, to the extent prescribed by the Secretary. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the production on the acreage in excess of the farm acreage allotment is stored pursuant to the provisions of section 379c(b), but the producer shall not be eligible to receive price support on the wheat so stored.”

(b) Section 379b of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows:

“SEC. 379b. Beginning with the marketing year for the 1966 crop, a wheat marketing allocation program shall be in effect as provided in this subtitle. Whenever a wheat marketing allocation program is in effect for any marketing year the Secretary shall determine (1) the wheat marketing allocation for such year which shall be the amount of wheat which in determining the production objective for such marketing year he estimated would be used during such year for human consumption in the United States, as food, food products, and beverages, composed wholly or partly of wheat, and (2) the national allocation percentage for such year which shall be the percentage which the national marketing allocation is of the production objective, less the expected production on the acreage allotments for farms which will not be in compliance with the requirements of the program. Each farm shall receive a wheat marketing allocation for such marketing year equal to the number of bushels obtained by multiplying the number of acres in the farm acreage allotment for wheat by the normal yield of wheat for the farm as determined by the Secretary, and multiplying the resulting number of bushels by the national allocation percentage. If a non-commercial wheat producing area is established for any marketing year, farms in such area shall be given wheat marketing allocations which are determined by the Secretary to be fair and reasonable in relation to the wheat marketing allocation given producers in the commercial wheat producing area.”

(c) Section 379c(a) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out the last sentence thereof.

(d) The second sentence of section 379c(c) of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows: “The face value per bushel of marketing certificates shall be equal to the amount by which the level of price support for wheat accompanied by certificates exceeds the level of price support for wheat not accompanied by certificates (noncertificate wheat).”

CERTIFICATES FOR PRIOR CROP WHEAT IF CURRENT CROP UNDERPLANTED—STORAGE OF EXCESS WHEAT

SEC. 5. (a) The second sentence of section 379c(a) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out beginning with “(ii)” through the end of the sentence and inserting the following: “(ii) the amount of wheat stored under section 379c(b) which is released from storage during the marketing year on account of underplanting or underproduction, plus (iii) the amount of any other wheat remaining on hand from prior crops produced on the farm for which the Secretary determines certificates have not previously been issued.”

(b) Section 202(13) of the Agricultural Act of 1964 (providing for the 1965 crop only for storage of excess wheat) is amended by striking out (1) “, effective only with respect to the crop planted for harvest in the calendar year 1965.”; (2) “or stored in order to avoid or postpone a marketing quota penalty”; and (3) “or in order to avoid a marketing quota penalty”.

AUTHORITY TO SUSPEND REQUIREMENT FOR PURCHASE OF CERTIFICATES BY PROCESSORS—CERTIFICATES NOT REQUIRED ON EXPORTS

SEC. 6. (a) Section 379d(b) of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows:

“(b) All persons engaged in the processing of wheat into food products shall, prior to marketing any such food product or removing such food product for sale or consumption, acquire marketing certificates equivalent to the number

of bushels of wheat contained in such product. Upon the exportation from the United States of any such food product, the Commodity Credit Corporation shall refund to the exporter the value of marketing certificates equivalent to the number of bushels of wheat contained in such product. Marketing certificates shall be valid to cover only sales or removals for sale or consumption made during the marketing year with respect to which they are issued, and after being once used to cover a sale or removal for sale or consumption shall be void and shall be disposed of in accordance with regulations prescribed by the Secretary. Notwithstanding the foregoing provisions hereof, the Secretary may require marketing certificates issued for any marketing year to be acquired to cover sales or removals made on or after the date during the calendar year in which wheat harvested in such calendar year begins to be marketed as determined by the Secretary even though such wheat is marketed prior to the beginning of the marketing year, and marketing certificates for such marketing year shall be valid to cover sales or removals made on or after the date so determined by the Secretary. The requirements of this subsection may be suspended for any marketing year or other period by the President in whole or to such extent as he deems appropriate, if he determines that such suspension will result in the more effective regulation of commerce and the better effectuation of the purposes of this Act. In the event of such full or partial suspension, the Commodity Credit Corporation shall buy all marketing certificates offered to it in accordance with the regulations prescribed under section 379e."

(b) Section 374d(c) of such Act is amended by striking out "or export".

REPEAL OF MONETARY PENALTIES FOR PRODUCTION ON DIVERTED ACRES

SEC. 7. Section 339(a)(1) of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows:

"(a)(1) The producers on any farm (except a new farm receiving an allotment from the reserve for new farms) on which any crop is produced on acreage required to be diverted from the production of wheat shall, except to the extent otherwise prescribed by the Secretary, be ineligible to receive price support on wheat or wheat marketing certificates unless the crop is designated by the Secretary as one which is not in surplus supply and will not be in surplus supply if it is permitted to be grown on the diverted acreage, or as one the production of which will not substantially impair the purpose of the requirements of this section. The acreage required to be diverted from the production of wheat on the farm shall be an acreage of cropland equal to the number of acres determined by multiplying the farm acreage allotment by the diversion factor determined by dividing the number of acres by which the national acreage allotment is reduced below fifty-five million acres by the number of acres in the national acreage allotment."

DIVERSION PAYMENT PROGRAM REQUIRED FOR 1966 AND SUBSEQUENT CROPS

SEC. 8. Section 339(b) of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows:

"(b) The Secretary shall formulate and carry out a program with respect to the 1966 and subsequent crops of wheat under which, subject to such terms and conditions as he determines are desirable to effectuate the purposes of this section, payments shall be made in amounts equal to 50 per centum of the estimated basic county support rate for wheat not accompanied by marketing certificates on the normal production of the acreage diverted pursuant to subsection (a) of this section. The Secretary may permit producers on any farm to divert from the production of wheat at the same rate of payment an acreage, in addition to the acreage diverted pursuant to subsection (a), equal to 20 per centum of the farm acreage allotment for wheat: *Provided*, That the producers on any farm may, at their election, divert such acreage in addition to the acreage diverted pursuant to subsection (a), as will bring the total acreage diverted on the farm to fifteen acres. Such program shall require (1) that the diverted acreage shall be devoted to conservation uses approved by the Secretary; (2) that the total acreage of cropland on the farm devoted to soil-conserving uses, including summer fallow and idle land but excluding the acreage diverted as provided above, shall be not less than the total average acreage of cropland devoted to soil-conserving uses including summer fallow and idle land on the farm during a representative period, as determined by the Secretary, adjusted to the extent the Secretary determines appropriate for (i)

abnormal weather conditions or other factors affecting production, (ii) established crop-rotation practices on the farm, (iii) participation in other Federal farm programs, (iv) unusually high percentage of land on the farm devoted to conserving uses, and (v) other factors which the Secretary determines should be considered for the purpose of establishing a fair and equitable soil-conserving acreage for the farm; and (3) that the producer shall not knowingly exceed (i) any farm acreage allotment in effect for any commodity produced on the farm, and (ii) except as the Secretary may by regulations prescribe, with the farm acreage allotments on any other farm for any crop in which the producer has a share: *Provided*, That no producer shall be deemed to have exceeded a farm acreage allotment for wheat if the production on the acreage in excess of the farm acreage allotment is stored pursuant to the provisions of section 379c(b). The producers on a new farm shall not be eligible for payments hereunder. The Secretary shall provide for the sharing of payment among producers on the farm on a fair and equitable basis. Payments may be made in cash or in wheat."

EFFECTIVE DATE

SEC. 9. This Act shall be effective beginning with the 1966 crop of wheat. Subject to adjustment as provided by law, if marketing quotas or acreage allotments have been proclaimed for the marketing year beginning in 1966 or for the 1966 crop, the production objective for such marketing year shall be in the same amount as the national marketing quota heretofore proclaimed, and the National, State, county, and farm acreage allotments for such crop shall be those heretofore proclaimed and apportioned, without further proclamation or apportionment.

STATEMENT OF HON. MARK ANDREWS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA

Mr. ANDREWS. Thank you, Mr. Chairman.

I have some introductory remarks explanatory of my bill that I should like to give copies of to the individual members to consider.

I would like to make in preface to the bill perhaps some remarks explaining why I think that this type of wheat legislation is important.

I appreciate very much the opportunity of appearing before this committee today to talk about legislation extremely important to my home State and equally important to all of America.

Farming as we know it in North Dakota is a way of life, but additionally in America it is a very basic industry and even further, it is an industry fundamental to the basic well-being of our country and, indeed, of the entire world. Any Congressman who is worth his salt and reads his mail seriously knows that agriculture is in trouble today. As a segment of our economy, farming has the lowest rate of return for investment, time, and effort, and this, of course, we all realize is not right.

We have heard for many years that agriculture is in trouble. Everyone knows, particularly those of us from farm States, that the prices farmers get for their products do not represent a fair rate of return. But I think today, instead of just looking at the patient and agreeing together that he is sick, which is easy enough to do, and which has been done for far too long, I think that we ought to try to find out just what type of infection our patient is suffering from.

First of all, agriculture for many years, in fact, since the days of the original homesteading, and going back to colonial times to the individual farmer who merchandised his own goods to his neighbors, has been isolated from the rest of our economy and society.

The town people have felt that they have little business getting involved in agriculture's technical and operational problems, because they feel that the plight of the farmer is something that does not concern them, there has been little desire to more than temporarily bail the farmer out of recurring economic emergencies.

Actually, these attempts in the past to meet the needs of agriculture have failed to provide the lasting cure because they, first of all, did not address themselves to the basic need of allowing the farmer to obtain full health, or full parity in the marketplace and secondly, because we failed to convince the other people in the community that in America, in which this sick patient lived, that the disease was, indeed, catching and could affect each and every one of them.

Frankly, to build a sound farm program we need the help and must have the active support of all those who are involved in the total, overall agribusiness picture—a picture which amounts to close to \$50 billion a year. With this help we can solicit the support of those people who live in the city and are alarmed when they read reports in magazines saying that 80 percent of our commodity assistance funds go to a million farmers who earn more than \$9,500 annually. The city person rightfully says, "My goodness, this man is making far more than I ever have made," and he fails to recognize that the figure given is not net income, but gross income. And all of you here today know that a \$9,500 gross income on a farm represents very little net income at the end of the year to the individual farmer. Can you imagine a city businessman with gross sales of \$9,500 a year thinking that he is well off? Yet the public has been misled to the extent where they feel farm programs are the means of providing fancy automobiles for idle farm families who already have a better economic situation than their city cousins, and they fail to realize the great stake they have in the prosperity of their farm friends.

I would like to point out one other thing, too, that agriculture is extremely important today to the welfare of the United States. We all know that the American farmer is, perhaps, the best customer of American industry.

Some years ago I was in Washington as a sugarbeet grower, trying to get the Sugar Act revised so that American farmers could participate in the growth of our own markets. And a Congressman whose name I had probably better forget, asked me if I did not realize that these foreign interests who were shipping sugar to our shores were good customers of American business. And I said, "Do you not realize that the American farmer is the best customer of American business?" And you know, frankly, I am afraid he had never thought of it that way. It had never occurred to him, I felt. Or that it had not occurred to him strongly enough to really shape up his thinking on this type of a bill.

So public relations is a big necessity in the treatment of our patient. But, as in any case of sickness, the patient himself has to want to get well; and farmers and farm organizations who should be carrying the brunt of telling our story before Congress have not had the impact needed for success. Our farm organizations, in place of putting together a comprehensive story of the needs and opportunities of American agriculture, have been widely separated on farm policy. By this divergence of opinion they have confused as many Members of Congress as they have convinced.

I was interested last Saturday to read in the Washington Evening Star a story quoting Secretary of Labor Willard Wirtz, who had been inspecting the truck farming area of California, and taking a first-hand look at their labor problems. He points out, and I quote:

I think a great majority of Americans would be willing to pay an additional quarter cent a pound for celery to eliminate the working conditions in the fields we have seen; and three-quarters of a cent a head for lettuce to eliminate the living conditions in camps we saw Thursday.

Secretary Wirtz went on to point out that even a 50-percent boost in unit cost for a farm labor pay raise would only increase the cost of asparagus by 2 cents a pound, a No. 3 can of tomatoes by one-half a cent, a pint of strawberries by 3 cents, and oranges by 1 or 2 cents a dozen.

Mr. POAGE. Would you yield there?

Mr. ANDREWS. Yes.

Mr. POAGE. Do you not think that it would increase the price by more than that? Secretary Wirtz said that it would not increase the cost. I presume he means it would not increase the actual cost to more than that. He is right when he says that, but what we are speaking of there is cost. Do you not think that there is a vast difference between saying what it would do in increasing the cost and what it would do in increasing the price to the consumer?

Mr. ANDREWS. I think it is very true, Mr. Chairman, but I also think that the main theme of what he said is—

I think a great majority of Americans would be willing to pay an additional quarter cent a pound, or to pay a little bit extra for their food if they thought that it would benefit the man who was working to make this food available to them.

I would like to point out to the committee that I certainly have no complaint with this statement. Certainly the people who work in the fields in southern California need a living wage. But the point everyone seems to be missing is that so, too, do the farmers who till the wheat-fields of the Great Plains and who raise wheat. I feel our farmers need the Secretary of Agriculture, speaking out in their behalf in the same forceful way the Secretary of Labor is speaking in behalf of labor.

The city consumer has been led to believe that wheat programs represent a bread tax, and therefore that big city Congressmen should vote against them. Nothing could be further from the truth. As a matter of fact, it has long been my feeling that instead of being subsidized by the American taxpayer, the farmer is actually subsidizing the people who live in the cities of this great country of ours. Nowhere else in the world can food be purchased for so small a share of the daily wages of the people.

The farm segment of our economy must remain healthy to protect our own American economy. But I think in this troubled world, there is even a bigger factor behind the reason to free our productive agricultural capacity. There is no surplus food in the world today. Almost every week when we pick up the news magazines we read of starvation and famine somewhere in this world. I think a sharing of our unique agricultural productive capacity with the hungry people of the world on a stepped-up basis could, in the long run, be the best weapon for peace we have. We must take steps in the next few months

to promote more vigorously the aggressive marketing of our farm goods abroad. This, also, could be our strongest ace to play in the game of foreign policy—to not only meet the needs of our farmers but also gain millions of friends for our Nation among the backward people of the world who understandingly have grave doubts about a nation which is seeking their friendship and yet withholds food vitally needed, by curtailing production in the face of world scarcity. We have spent a hundred billion dollars, actually, Mr. Chairman, in foreign aid, trying to convince other people of this world to tie themselves to us, and their future to the type of thinking that is America. Sometimes I wonder if the way to win friends is not more in feeding them than in trying to talk about philosophical differences. Sometimes I wonder how we can win the friendship of this man and his wife who are living in this newly emerging nation, whose children are slowly dying of starvation and they hear that back here in America we are curtailing agricultural production. The word gets to them that we are not really interested in producing food which they need so drastically. By doing this, we can have a stronger, more vital America in a better world.

I certainly do not claim to have any pat solutions for our foreign policy problems, but I feel sincerely that any farm program enacted must recognize that the key to our international problems may yet be the ability of our American farmer to defeat the age-old scourge of civilization—hunger. Any farm program must be drawn with this idea in mind. And I think that our farm bill, H.R. 4140, meets this criterion.

I think it is time we recognize that we cannot compete in the marketing of our farm products with both hands tied behind our back.

The Secretary of Agriculture, and the Commodity Credit Corporation have to be restricted from interfering with normal movements of grain into the export market. And I have introduced a bill H.R. 6121, separate from this, Mr. Chairman, to speak to this. The release price of 125 percent of loan I think, perhaps, this could well be included in any overall farm legislation that is written in this session of Congress.

America had long been known for its Yankee inventiveness and aggressive trading instincts, but it seems through Government regulations that we have transferred this Yankee trading ability north of the border to Canada where we see our neighbors to the north aggressively marketing wheat in export and capturing markets that with encouragement rather than hindrance from Secretary Freeman our own exporters could have a fair chance at.

The release price of Commodity Credit Corporation stocks must be raised. I think that we all realize that Cargill, Continental Grain, GTA, or whatever export group we are talking about, cannot compete with taxpayer-owned stocks manipulated on a day-by-day basis by a few bureaucrats. The secret to success in agricultural policy I would like to recommend is the simple one of more aggressive marketing rather than one of restricting by ever-increasing soil bank and retired acres. This would restore prosperity to the farm and allow our entire economy to be bolstered by restoring health to the farm segment, provide, perhaps, the strongest reason for uncommitted and newly emerg-

ing nations to join us—the one nation that has solved the historical problem of hunger. And, finally, it could go a long way toward helping our balance-of-payments problem and restoring our gold reserves.

To more in the direction I have just outlined, my bill, H.R. 4140, proposed the following, and you have this short explanation before you.

First, it would, of course, repeal the existing provisions for marketing quotas.

Second, it would make permanent the provision for a minimum national acreage allotment of 49,500,000 acres.

Third, it would provide full parity for wheat for domestic food consumption, and not less than the higher of (1) the farm price equivalent of the previous 3-year average world market price; or (2) 50 percent of parity for all other wheat.

Fourth, it would repeal provisions for acreage penalties for overplanting or underplanting allotments.

Fifth, it would require the special acreage reserve for old wheat farms to equal 1 million acres.

Sixth, it would permit producers of excess wheat to store their excess and qualify for marketing certificates and price support.

Seventh, it would permit certificates to be issued for the wheat held over from a prior crop where the current crop is underplanted.

Eighth, it would permit the President to suspend the requirement that processors acquire marketing certificates in which case all certificates would be redeemed by the Commodity Credit Corporation.

And this, Mr. Chairman, would give the President the right to determine how much, if any, of the cost of the wheat certificates would be borne by the Government.

Ninth, it would repeal the provision for monetary penalties for producing crops on acreage required to be diverted from wheat. And the tenth or final provision, of course, would be to extend the wheat diversion payment program permanently with a mandatory payment rate equal to 50 percent of the noncertificate support price multiplied by the normal production of the acreage diverted.

Under the bill, acreage allotments would be proclaimed every year. The amount of the national acreage allotment would be the larger of 49,500,000 acres or the acreage needed to meet the production objectives, which could not be less than 1 billion bushels.

It would be apportioned among States, counties, and farms as provided by existing law, except that no loss of history would result from the overplanting or underplanting of allotments.

Marketing certificates would be utilized as under existing law, except that they would be restricted to the portion of the crop needed for domestic food consumption, and the support level for all certificate wheat would be full parity, instead of 65 to 90 percent of parity for domestic certificate wheat and zero to 90 percent of parity to export certificate wheat.

The remainder of the crop would be supported at the level now provided for noncertificate wheat, and certificates would not be required for export wheat.

The President would determine, in accordance with the objectives of the act whether processors would be required to obtain certificates for wheat processed for domestic consumption or whether the wheat

for domestic consumption should move at the noncertificate price, with the certificate issued to producers being redeemed by the Commodity Credit Corporation.

The bill would be applicable to the 1966 and subsequent crops.

Mr. Chairman, this bill is something that I have had in my mind for a long time. When I was a young man on the farm I became interested in politics and got to know Mr. Clifford Hope, who was a good friend of all of you and an eminent chairman of this committee. I served as the chairman of the Young Republican Farm Council in the early fifties, about 1951 and 1952, and we had young farmers from all over this Nation—from 44 States—that got together and tried to figure out a workable farm program at that time.

We arrived at a two-price system, a certificate system which Mr. Hope and others had long championed. And I would be less than frank if I did not admit that the Secretary of Agriculture, Mr. Benson, who went in about that time, could not see it our way.

At the same time, many groups such as our own in North Dakota, the North Dakota Farm Bureau, where I presented the resolution for a two-price plan adopted it in 1953 or 1954 and thought it would be the workable solution. Later they changed their thinking on it.

But I think the large share of farmers in my wheatgrowing district feel that a farmer is entitled to a price of 100 percent of parity, for what he produces, for the people in America. At the same time, he cannot expect the Government to pay him fantastic prices for grains that have no place to go except into the storage bins. He admits this and the city people admit this.

I think that if we could go along with the thought expressed by Mr. Wirtz that the public would be willing to pay a fair price for the food they eat in order that prosperity can be maintained among the people who work on the farms or the people who actually own the farms, I think that we would make a great stride forward.

There are two or three differences between our bill and the bill introduced by Mr. Purcell, the chairman of the Subcommittee on Wheat. One of them is that we take off the export certificate in its entirety. We do that for a number of reasons.

First of all, if we are going to aggressively market abroad the less interference with certificates and other redtape the better chance I think we will have for moving the wheat into export. The bills that retain an export certificate turn right around and say, "We are not going to pay you for your land diverted." Well, that is six of one or a half dozen of the other as far as price to the farmer is concerned. The farmer ends up with the same net income. And I think that we are better off, perhaps, doing away with the export certificate so that we can aggressively market overseas, than to follow the other course.

Our bill gives, of course, the choice to the President of picking up these certificates out of Government funds which would completely do away with any thought or any question of a bread tax or, on the other hand, if our budgetary problem is such that we want to make the wheat plan virtually self-supporting, these certificates could be picked up in their entirety by the processor.

These, I think, are the two principal differences between our approach and the others.

My bill has also been introduced by Congressman Ellsworth from Kansas and that it has been introduced in the Senate by Senator Young, Senator Mundt, Senator Carlson, and Senator Allott.

We feel that the ideas expressed in it are certainly worthy of consideration by the committee.

Mr. POAGE. Thank you very much, Mr. Andrews. We certainly appreciate your statement. I am speaking more from the standpoint of feed grains rather than wheat legislation. Would it be necessary under your bill for us to repudiate our International Wheat Agreement? Could we comply with it under the terms of your bill?

Mr. ANDREWS. As far as artificially pricing our wheat into export channels, to maintain a predetermined price guaranteed under the International Wheat Agreement, no, sir, we could not, unless we did it through some combination of shipping or export licenses or something like that. I think that we have got to get away from this, Mr. Chairman.

Mr. POAGE. I think that is a point on the export certificate, and I think that we ought to lay it out clearly on the table. I am not at all sure that it is advantageous for us to continue in the International Wheat Agreement. Maybe it is. Do you think we should? I want to get your views on that. I do not even know the manner in which we can honorably get out of the International Wheat Agreement. And I certainly am not advocating simply repudiating any agreement that the United States has entered into, but there must be some release clause whereby we may be released by giving some kind of notice.

Are you familiar with the provisions of the agreement?

Mr. ANDREWS. There is a release clause, I believe, Mr. Chairman. I am certainly not an international lawyer nor a diplomat. I was a farmer before I came to Congress.

I take an awfully dim view of these agreements. Every time we get a bunch of negotiators sitting down around the table talking about agricultural problems, the farmer gets it in the neck. Whenever we have entered into some agreement, whether it is the Common Market or something else, the person who gets auctioned off is the farmer. And the farmer's ability to produce and to sell.

Up in Canada they are doing an aggressive job of marketing. They have some advantages that we do not have, perhaps, that should be taken into account.

First, there is the problem of shipping rates, Mr. Chairman. I received a letter from the Great Northern Railway Co., sent to me at my request. A farmer in Devils Lake, which is in my district in the northern part of North Dakota, can ship a bushel of wheat under the export rate to the west coast for 57 cents a bushel. A farmer in Canada, just on the other side of the line can ship his bushel of wheat to the west coast for 20.4 cents a bushel. Right here is a 37-cent-a-bushel advantage.

The Canadian farmer gets his wheat on the west coast, and he can put it in Canadian bottoms or British bottoms, or any other kind of bottoms. Here again the American farmer is negotiated into a place where he has to ship it in American bottoms or, at least, one-half of it. And the cost going to Yokohama, Japan, is about \$8 to \$10 a ton higher in an American bottom than it is in a foreign bottom. That is another 35 or 40 cents a bushel difference. And it ends up being 65 to

70 cents a bushel difference that the American farmer gets docked through no fault of his through shipping charges and the like.

And we are seeing now the Canadian farmers north of our border being encouraged by their Government to plant wheat fence row to fence row. They are getting \$1.85 to \$1.90 a bushel for all of the wheat they are growing, and they are having a high old time up there.

And I do not know whether it is the International Wheat Agreement that is keeping us from competing on this basis or whether it is the combination of the Commodity Credit Corporation and the Secretary of Agriculture releasing these stocks behind the backs of our exporters or what, but something has got to be changed in this field.

Mr. POAGE. Mr. Andrews, I thoroughly agree with your statement of the disadvantage that the American farmer faces in regard to transportation. Certainly he faces an almost insurmountable burden, but let us get the facts as to the International Wheat Agreement, because whether it is good or whether it is bad the United States of America has entered into that agreement. We have it. And I do not think that you are one of those who disagree with this. I believe in keeping the obligations of the United States of America that have been legally entered into, whether good or bad. I believe in paying our debts for that which we have purchased whether we got value received or made a bad trade. I oftentimes buy something that I should not have bought, but if I bought it, I figure I have to pay for it.

And if I sell my cattle for fall delivery at a price which may be too cheap, I feel that I have to deliver them. And I do deliver them.

I believe that my Government ought to perform exactly like I think the individual should perform. If we have an obligation I think that we should carry it out.

I do not think the question before this committee today is whether the International Wheat Agreement was wise or whether it was ill advised at the time it was entered into. We are in it.

I think that what we need to know is under what terms can we honorably get out, if we should get out, not whether we ought to get out, but, first, what are honorable terms of getting out. Then we will decide whether it is advisable for us to pay the price to get out. If it is, then let us set the forces in motion now to get out, but if we are going to be in there at least for a year or two, then I think that you will agree with me that we have got to carry out our obligation.

Mr. ANDREWS. This is very true, Mr. Chairman. But the bill I am presenting would go into effect for the 1966 crop.

Mr. POAGE. I know that. But can we get out of the International Wheat Agreement in time for the 1966 crop?

Mrs. MAY. Will you yield?

Mr. POAGE. Yes.

Mrs. MAY. When does the International Wheat Agreement expire?

Mr. POAGE. I do not know. I am asking him, because I do not know.

Mr. ANDREWS. It expires in mid-1966, Mr. Chairman.

I share with you the concern that America should keep her agreements. We always have. This is what has made our Nation strong, but it is my understanding that this agreement is going to come up for reratification and we ought to take a look at it. I hope that we take a serious look on a number of grounds.

One, the benefits to the farmer that can be deprived from more aggressive merchandising. The other thing, again, is how do we justify in a hungry world where we are paying billions of dollars in aid, and the blood of young Americans, as in Vietnam, and other places, how can we justify entering into a restrictive agreement to make the price of food higher to the world's peoples than it would otherwise be?

I think, frankly, that America would be better served by utilizing her agricultural productivity to get food at as cheap a price as possible into the mouths of the people who are hungry. And I think that this is going to mean that we have to take a close look at the International Wheat Agreement, and I think that if we do take a close look at the International Wheat Agreement in mid-1966 when it comes up for reratification, it could well be that the best interests of this country would be served by having no export certificates.

Mr. POAGE. I am not disagreeing with you on that. The only point I am making here is that before I can support the bill I have got to know what that is, and I have got to know whether we are violating our agreements or not. I think that is one of the very first things that we do have to know about, because your bill has some attractive features, provided we can continue with the obligations of the U.S. Government.

Mr. ANDREWS. There would have to be an export duty put on wheat of some kind or another to live up to the International Wheat Agreement unless the domestic market settled at exactly the agreed world price.

Mr. POAGE. Would you be willing, Mr. Andrews, to ask this committee to pass legislation which clearly violates a treaty of the United States on the assumption that some other committee of Congress would take action that would take care of the treaty?

Mr. ANDREWS. Not at all, sir. I hope that is not done. I think whether you pass one with an export certificate—say, that you have a 25-cent export certificate as it is in one of the bills, that does not guarantee that we are going to live up to the International Wheat Agreement either. If the price of wheat on the domestic market falls below the point where the price plus 25 cents equals our agreement under the International Wheat Agreement, the Secretary of Agriculture has to step in with some other restrictive measures to get the price up, to maintain our agreement under the International Wheat Agreement.

Mr. POAGE. That is true, Mr. Andrews, but at least the Purcell bill recognizes the existence of the treaties. It at least recognizes an obligation on our part to carry out the terms of the treaty and it provides the mechanics to enable us to carry it out under existing conditions. The conditions might change, I think, so that it might not meet the requirements, but it does take care of the conditions as they exist, does it not?

Mr. ANDREWS. This is very true, but I feel, Mr. Chairman, that under the administrative powers given to the Secretary to live up to the International Wheat Agreement, whether he negotiates for 10 cents worth of difference between the price or whether he negotiates 35 cents worth of difference between the price, the export certificate is not critical. He has the power and he can live up to the International Wheat Agreement under our bill as well as he can with the 25-cent certificate or any export certificate that is arbitrary in price.

Now, if the export certificate feature of the Purcell bill was an elastic one that could be set at the difference between the domestic price and the International Wheat Agreement price, then I would say, sir, that my bill, without having this export certificate, would be less amenable to the International Wheat Agreement, but since this feature is not there, obviously, some way that the Secretary of Agriculture can conform with the International Wheat Agreement with a set fee is needed and he can do it as well under our bill, I would imagine, as he can under the Purcell bill.

Mr. POAGE. I hope that you recognize the importance of maintaining our treaties.

Mr. ANDREWS. I certainly do.

Mr. POAGE. That seems to me to be a question that must be answered here—that we must have some real showing of observing the treaty before we go very far with any bill, at least so far as I am concerned. I will not knowingly vote for legislation to repudiate the obligations of the United States, whether it be in wheat or in Vietnam or somewhere else.

Mr. ANDREWS. That is right.

Mr. POAGE. We must keep our obligations.

Mr. ANDREWS. I believe that our bill will not violate the International Wheat Agreement, because the factors left up to the discretion of the Secretary of Agriculture are still there. Our bill will provide, however, a much better means to implement trade if this country decides to get out of the International Wheat Agreement when it comes up for examination in 1966, and this is one of the reasons why we deleted the export certificate.

Mr. BRUCE. May I say something?

Mr. POAGE. Yes.

Mr. BRUCE. May I interject this? At the International Wheat Agreement meeting this winter in December, I believe that the United States proposed extending the agreement for only 1 year. The other members of the agreement wanted to extend it for a minimum of 5 years. And at that time the United States and Canada were in the so-called wheat war, but the United States, through its representatives, proposed that we would vote for an extension of 1 year.

Mr. POAGE. I am not urging that we extend it. I am not urging that we do that at all. I simply wanted to make the point that we must recognize that there is that outstanding obligation.

Mr. QUIE. When the administration's wheat program was defeated by the farmers by referendum in 1963, conceivably, according to administration reports, wheat would have been at a very low price. It was a problem of what to do with the International Wheat Agreement if the market price of wheat was lower than the agreement. I had always had the understanding that we would have an export tax of some kind, to find some means for the export, to take care of that. I expect that the Andrews bill would make it possible for the marketing of the wheat the same as the administration would have done with no wheat legislation.

Mr. POAGE. I do not want to get into a state where we have to do an unconstitutional act, nor to violate a treaty, either.

Mr. FINDLEY. You refer to a parity for domestic consumption. I presume that you mean to limit that objective to full parity to wheat that is processed for food use as distinguished from wheat that is fed?

Mr. ANDREWS. That is right.

Mr. FINDLEY. Practically all wheat ultimately goes for food purposes. I wonder why you draw the distinction between the two types or between the wheat used for the two different purposes?

Mr. ANDREWS. Quite obviously, Mr. Findley, because if you did not, wheat could never be fed to animals, because it would not be competitive with barley or with corn. If feed wheat was priced at \$2.50 a bushel there is no farmer who could afford to feed it. If surplus wheat, on the other hand, is priced at 110 to 120 percent of the cost of corn, it makes it competitive as a feed, much as barley at 90 percent of the cost of corn, pound weight basis makes it competitive. And those who feed cattle can take a look at the price of each grain and pick and choose which one meets their need as of that time, but if wheat was priced at the accepted price for domestic human food consumption, it could not be used as a livestock feed.

Mr. FINDLEY. You mean it would be priced out of the market.

Mr. ANDREWS. Yes.

Mr. DOLE. I want to commend the gentleman for his fine statement. Just as a matter of information, Mr. Andrews, for myself and other members of the committee, I want to show you a clipping in the Sunday Star about Canada and the two-price system. I mentioned it to you briefly on the floor yesterday. I wondered if you have any comment on the article that appeared in last Sunday's Kansas City Star?

Mr. ANDREWS. I would be glad to comment on it. It was a very interesting article. It was saying that the farmers up in Canada want nothing to do with the two-price plan or any other technical detailed farm program, and if I were a farmer in Canada I would feel exactly the same way, because they are selling every bushel of wheat that they can produce at a good price, \$1.85 a bushel right across from my district and they are doing it partially because they a long time ago got into the Crow's Nest Agreement, where the railroads agreed to keep their rates low. As I pointed out earlier, it is 60 cents a bushel less than ours and the American farmer could plant all of the wheat he wanted or raise all of it that he wanted to if he was willing to take \$1.25 a bushel for it which would be our price competitive with the Canadian farmer's \$1.85, because of the 60-cent kick in the head that the American farmer gets through no fault of his own, just from the problem of getting it from where it is produced in our heartland to where the people are hungry in Yokohama, Japan, or Rotterdam, or other world markets.

In order to take care of this transportation problem, a two-price program is one solution, because the farmer will get \$2.50 a bushel for one-half of his crop and he will be able to export at export price for the other, and he will end up with an average price of about \$1.85 a bushel which any grower will tell you he will need if he is to make a profit and stay in business and educate his children and meet his other family needs.

I would like to see a wheat program as simple as possible. I have worked rather hard in this direction. I had some adverse comments from a few people as to my interest in the wheat bill last year. I thought it was a necessary bill. I was happy that it passed, but when I went back to the farm a month or two months later I was amazed to find that the wheat bill that I had worked so hard on down here did

not look like the same bill when it came out of the pipeline. It was so fouled up with administrative rules and regulations and redtape that the farmers had difficulty contending with it.

The farmers of Canada and those of America want a wheat program that is simple, that is easy to understand and that gets away from any unnecessary complications. Now, if there were some way that our farmers——

Mr. DOLE. You think that the Canadian farmers are free from any of these complications?

Mr. ANDREWS. That is right.

Mr. DOLE. I am not familiar with their wheat plan. They are limited, however, in what they can sell through a wheat board. The board determines how much is to be sold, and the balance must be kept by the farmers on the farms, which I think, is a good idea. The tenor of this article I referred to was that they did not want to make the same mistakes we had.

I would also point out that I share your comments with reference to a "bread tax." I have always felt it was rather a poor argument and have consistently felt the farmer is entitled to a good return on what he produces. I do not believe we aid the farmers by pointing out that a loaf of bread may cost the consumer an additional 1 cent for a farmer has to live, too. And I do not know what the exact price of bread is now, but am not too worried about anybody collapsing in the supermarket and not buying it if it goes up a penny. That is the point that I make.

Mr. OLSON. Mr. Andrews, I am not sure that I quite understand what your position is from your testimony. The Canadians are selling wheat at the world price, are they not?

Mr. ANDREWS. Very true.

Mr. OLSON. Then how in the world can they get \$1.85 per bushel?

Mr. ANDREWS. This is what they are getting, Mr. Olson. The world price, actually, is higher than \$1.85. It must be if they are getting this price, because this is what they say in their testimony and their statements, in newspapers back in North Dakota and in Canada.

The big thing that we have to look at is that they have a 60-cent-a-bushel edge on us in transportation costs. And 60 cents a bushel makes a lot of difference. If we had an automobile industry on our side of the line that was having to compete with the Canadian automobile industry and we had an arbitrary formula that was costing our producers 30 percent more than it was costing the Canadian producer, we would do something about it in a hurry.

Mr. OLSON. I grant you that. But it is not my understanding that the world price of wheat is so high that the Canadian farmers can raise all kinds of wheat and sell it at the price you quote. This is something that we need more detail on than just a mere statement.

Mr. ANDREWS. I would be glad to submit for the record the price that Canadian wheat growers get for their wheat.

(Mr. Andrews submitted the following information:)

The March 5, 1965, Wheat Pool Budget, issued by the Alberta Wheat Pool, Calgary, Alberta, in the article labeled "1963-64 Final Payment" points out that the price for No. 1 Northern Wheat at the lakehead at Fort William is 196.893 cents. It goes on to say that farm prices will be less freight and handling charges, amounting in Alberta to a deduction of 16 to 23 cents a bushel according to location.

Manitoba is the Province in Canada across the border from my congressional district. It is the Province to the east of Alberta, with a freight rate of approximately 11 cents to the lakehead instead of the 16 cents mentioned for the eastern edge of Alberta. This results in the price to the farmer of \$1.85 a bushel.

1963-64 FINAL PAYMENT

The Canadian Wheat Board has announced the final payment in wheat marketed during the 1963-64 crop year. The total amount is \$271,964,204.

The following table shows the initial and final payments by grade and the total price at Fort William or Vancouver for each :

	No. 1 Northern	No. 2 Northern	No. 3 Northern	No. 4 Northern	No. 5	No. 6	Feed
Initial payment.....	\$150	\$146	\$142	\$135	\$118	\$112	\$108
Final.....	46. 893	47. 832	49. 339	50. 076	60. 272	63. 334	64. 222
Total.....	196. 893	193. 832	191. 339	185. 076	178. 272	175. 334	172. 222

It should be noted that these prices are at the seaboard or the lakehead. Farm prices will be less freight and handling charges amounting, in Alberta, to a deduction of 16 to 23 cents a bushel according to location.

This is the highest per bushel final payment, the highest total price and the largest total payment made by the Wheat Board in its 29 years of operation.

Commenting on the payment. Mr. Harrold said: "This record payment of \$272 million will be a real lift to the Canadian economy and a great benefit to western farmers. It is evidence of the good work done by the Canadian Wheat Board and of the advantages of an orderly system of marketing which can take advantage, for the farmer, of every sales opportunity that arises."

It must be remembered, however, that this large payment was due mainly to a record crop and higher than normal sales in the same year. It is not an indication the farmers' income is permanently increased. Sales of this magnitude will not likely be maintained and farmers' costs of production are steadily mounting.

Mr. OLSON. Will you, additionally, make clear to the committee why it is possible for that \$1.85 to be paid to your neighbor in Canada? In other words, you will show the transportation differential?

Mr. ANDREWS. I will be glad to show the transportation differential. It costs 11 cents to move a bushel of wheat from the farm in Manitoba to the lakehead.

Mr. OLSON. I mean from the high world price and still get \$1.85 back here.

Mr. ANDREWS. Yes, sir. This \$1.85—I might clarify that— was at a point about 3 months ago. The price may have dropped or have gone up from that. I do not know. I am sure that Mr. Bruce can find out what the sales price of Canadian wheat at Port Arthur and Fort Williams is right now, and we can easily back it off to where it is at the present time.

Mr. OLSON. Mr. Andrews, what might happen as the result of our forgetting about the world price, dropping out of the wheat agreement? The Canadian price of wheat is really supported, as you know, and as I understand it at this point, because of the world wheat agreement, is that right?

Mr. ANDREWS. Right.

Mr. OLSON. Now, if we went down, how many additional bushels do you feel that we could sell if we just reduced the price to \$1 or \$1.25—take whatever figure you wish.

Mr. ANDREWS. No one knows. There was a study made not over 2 months ago (by a group in conjunction with the GTA) that esti-

mated that to meet the minimal nutritional levels of the people on this side of the Iron Curtain, that we would have to double our wheat production or sell another 1,200 million bushels. At what price these people could afford to buy this food I am sure that I do not know, nor does anyone else.

Mr. OLSON. You are aware, of course, of the tremendous amount of wheat that moved under Public Law 480?

Mr. ANDREWS. I am very well aware of it, and I would certainly hope that we could move even more wheat under that law.

I think it is the best feature of our foreign aid program.

Mr. OLSON. Are you also aware of the statement that Mr. Cochran made not too long ago where he said, in effect, that we have already filled the areas where our wheat can be utilized at least in any quantity. This is paraphrasing what he said and is not exact.

Mr. ANDREWS. I would like to differ with you and Dr. Cochran on that. I think another group has made a study that shows that a good number of people in this world are dying of starvation every day. And as long as they are we have not done as good a job of filling the rathole, if you want to call it a rathole, as we should. I prefer to call it an empty stomach that we should be doing something about.

Mr. OLSON. You are not really arguing at this point except what you say is that there is a need.

Mr. ANDREWS. Absolutely.

Mr. OLSON. To prevent starvation, I hope, will always be our purpose, and we have been getting wheat to where it is needed under Public Law 480.

What is facing us now is rewriting a piece of legislation that is going to assure the American farmer some dollars in his pocket for the job that he is doing. He is already producing hundred of thousands of bushels of wheat sold and given away under Public Law 480 and I think that we might do an injustice to the situation that faces us just to say that it is an easy solution, that there are hungry people in the world, and we are going to give them more to eat. I want to know where that world price has to go so that it is going to move more wheat when we have terms as liberal as we can get them right now. I believe that we become a little unrealistic in these matters.

Mr. ANDREWS. Mr. Olson, I would like to say this: I pointed it out earlier in my testimony, that I have no pat solution for this. This is a big problem. It is a tough problem. But I think that what we ought to do is to orient our thinking in this Congress, in this session of Congress, in a nation that is spending \$50 billion a year for defense, in a nation that can find a way to send a man up to the moon—this Nation can also find a way to feed those people who are starving to death in the world. I think that we are making a beginning under Public Law 480. I would be less than honest in saying that this is going to solve our problems. It is not, but I think that we are missing the biggest ace we have in our hand in this game of international politics if we do not use the one point where we are far, far ahead of the Russians—the capacity of our farmers to produce and the fact that this Nation has a surplus of the one thing that everyone else knows and needs and understands, food. I do not care whether you talk Swahili or Hindustani or what. You can understand a full belly. And my contention is just this: When I sit in committees and see how much money we are spend-

ing and people sit back and relax and say, "We have found every rat-hole," I do not call this a rat-hole—I do not think that we are trying to get rid of food that we do not want—I think that we have to make as a legitimate objective of our foreign policy the use of this greatest weapon in our arsenal, the capacity of our farmers to produce. And I think we have been doggoned foolish over the past two decades in not doing it, and this is no blame on any political party or anybody else.

Mr. OLSON. Back to your bill—at what point do you feel that we can make it more profitable for the farmer who is engaged in wheat farming—at what price level? You must have some idea as to where we can afford to have the price go and still have a profitable operation. If we support domestically consumed wheat at parity that will take care of that. Now, I believe that we should have some determination on the other one-half of the picture.

Mr. ANDREWS. If the farmer can get a price of about \$1.40 to \$1.45 a bushel for that wheat that he grows for the export market, coupled with the \$2.50 a bushel that he is getting for what he is growing for the domestic market, I think that we have come to the equilibrium that we are seeking. This is about 20 cents a bushel more than we are getting right now.

Mr. OLSON. You feel that it would be \$1.40, approximately?

Mr. ANDREWS. I would say that in our part of the country \$1.40 wheat balances off against 85-cent barley, as a dollar equivalent and in equivalent per acre and can be moved in export.

Mr. OLSON. Would you put a support price on that?

Mr. ANDREWS. No, sir. Our bill calls for a support price on export wheat low enough not to be a floor. Our bill calls for two alternatives. The farm price equivalent of the previous 3-year average world price, or 50 percent of parity for export wheat. So our loan on the farm, or our price support on the farm would be about \$1.25, Mr. Olson, for export wheat. This loan would be useful for a number of reasons.

We hope that the loan under this would not set the price of the wheat. We hope that it would be sufficiently below where wheat moves so that none would go into Government storage. It would mainly be a vehicle whereby the farmer who is always hard pressed for cash at harvesttime could get a loan and pay his bills and hold the wheat until January or February or March, whenever he chooses to market it.

Part of the problem we had in the thirties was due to the fact that the farmer had to dump all of his grain on the market at the same time.

Studies have been made that show even during the thirties for many years the average price was 100 percent of parity. At the market time, however, when the farmers sold, it was much lower and farmers suffered great economic losses.

Mr. OLSON. The Canadians have, not too long ago, had "wheat coming out of their ears," so to speak. They did have a fortunate happenstance for them in being able to sell the wheat at the rate they have been selling to others, but to get to the point, would you be in favor of a wheat board type of approach like Canada has, in other words, they do determine very rigidly, you testified, what the Canadian farmers may sell. If this interpretation might be accepted on our side of the border, too, would you suggest that we have a wheat board that very rigidly controls what you can sell?

Mr. ANDREWS. Mr. Olson, there are two ways that you can effectively merchandise wheat. One is the Canadian method where they have a Federal Wheat Board that sells all of it—bargains and sets the price and all of the rest of it.

The way that I would prefer is the other way where our individual companies on this side of the border go out and aggressively sell. I think that we can outsell any wheat pool that the Canadians have, but we cannot do it as long as the Secretary of Agriculture is coming up behind and making it impossible for GTA, Continental, and others to operate. For instance, if GTA moves 1 million bushels of wheat to either coast into export position and starts making a deal with somebody who wants to buy it in another country, under the present method the Secretary has been following there is no way that GTA can be assured that the Secretary of Agriculture will not move 1 million bushels of wheat behind him and cut his price 10 cents. So it makes it almost impossible for our companies that want to export wheat to effectively compete with the Canadians.

I think that we have to do it one way or the other. The wheat board they have in Canada is one way of aggressively exporting wheat. Our private exporters is the other way, but you cannot do it half fish and half fowl.

Mr. OLSON. Have you any evidence that this has occurred?

Mr. ANDREWS. I have been told on a number of different occasions by high officials in Cargill and high officials in GTA it has.

Mr. OLSON. Who has sold it, then?

Mr. ANDREWS. Who then has sold it?

Mr. OLSON. Yes.

Mr. ANDREWS. They eventually did, but they only sold one-half as much as they could have sold, so sales were actually lost.

Mr. OLSON. And the U.S. Government sold the other half?

Mr. ANDREWS. The U.S. Government did not sell any. They issued the license.

Mr. OLSON. You said that moved 1 million bushels.

Mr. ANDREWS. I say that if an exporter moved 1 billion bushels to the coast, which would be a normal merchandising procedure—to either coast—to position it for sale to foreign countries, there would be nothing that would preclude the Secretary of Agriculture from moving up behind them and undercutting their price 10 cents and for this reason they cannot move 1 million bushels of wheat to either coast and aggressively market it.

Mr. OLSON. I see. They have not moved it.

Mr. ANDREWS. They have not been able to do so.

Mr. OLSON. In fear that the Secretary of Agriculture would enter into the market and compete with them?

Mr. ANDREWS. That is right.

Mr. OLSON. Is it the policy of the U.S. Government to sell wheat that way?

Mr. ANDREWS. Unfortunately it is; under the low release price of the Commodity Credit Corporation stocks. This is why the Farmers Union——

Mr. OLSON. To whom?

Mr. ANDREWS. To any commercial trader. This is why the Farmers Union, the Farm Bureau, the GTA, and every farm organization I

know of has been seeking a higher release price for a long time, because they cannot compete as long as the Secretary of Agriculture can come in behind them and cut the price.

Mr. OLSON. I cannot quite understand that, because the grain trade would eventually sell the wheat either way. I think that we should find a clear-cut illustration here as to how they might be injured. You say they have not done it, and I say that even had they done it, the grain trade themselves would have been the active agent in selling the wheat and they would make a profit.

Mr. ANDREWS. I would be glad to submit to you a number of news releases by the GTA as to that.

Mr. OLSON. I think that we need more than that.

Mr. ANDREWS. The public statements by a group which is known to be one of the greatest merchandisers of grain in America today who say that this 105-percent release price is crippling their efforts to export wheat, should be accurate. I am sure that you have read the same public statements I have.

Mr. OLSON. You made a big point in your testimony that if we would lower the price we would sell more wheat, and here we have the cheapest price and other circumstances may make it cheaper, and we end up not selling it.

You made another point in your testimony that the programs are too complicated. And that the one that you supported in the last Congress was not the same when you got home as when you voted for it right here. It might well be that you misunderstood the bill.

What area specifically in your bill eliminates any of the complications you refer to?

Mr. ANDREWS. One, for instance, item 5, would require the special acreage reserve to be 1 million acres. This is 1 million acres to take care of mistakes that have been made in figuring acreage allotments on individual farms by giving reasonable amount of discretionary power to the individual county ASC committee, where in a community, the average farm has, say, 38 acres of wheat base per quarter and one farm turns up with 10 acres wheat base per quarter. With this 1 million acres they can adjust this low farm up to the average within the community.

Mr. OLSON. You spoke about "redtape."

Mr. ANDREWS. The redtape comes to the programs in the administrative decisions after the bills are passed by the Congress. The only way that you will make farm programs work is by giving the greatest amount of latitude to the local county ASC committee. Any time that you write directives, circumscribing their judgment and saying that they cannot use their best judgment in adjusting yield figures, in adjusting acreage rates, you make the program more complicated and more distasteful to the individual farmer.

Mr. OLSON. I have taken too much of your generous time and that of the committee. One last question. This is a joint session of the Wheat and Feed Grains and Livestock Subcommittees. I am interested in feed grains as well as in wheat. I would like to ask you this question: How many acres of soybeans do you raise?

Mr. ANDREWS. About 80 or 90 acres.

Mr. OLSON. How about soybean production in your district?

Mr. ANDREWS. My district does not raise too many soybeans. Much of it is too far north, and the season is too short.

Mr. OLSON. How come you introduced legislation then to allow soybeans on diverted acres?

Mr. ANDREWS. Because in the south half of our district we can raise soybeans. And if we are given the same break that the cotton producers have in the South of being able to raise soybeans on their diverted acres, it would give us some income opportunity that we do not have at the present time.

Mr. POAGE. Will you yield there?

Mr. OLSON. Yes.

Mr. POAGE. Mr. Andrews, I regret to find so many people making that kind of a statement. I know that they make it in good faith, probably, not knowing any difference. True, the cotton farmer can grow other crops on his diverted acres, but he gets not one dime from the U.S. Government for diverting any acres. His acreage was cut down from 43 to 16 million acres. He has never received a penny for having done so. Now the man who cuts down his feed grain acreage gets a payment from the U.S. Government for cutting it down. That payment is for the use of that land. Under the cotton law they say to the grower: "You cannot grow any more cotton than this." The wheat law says, "If you will cut your acreage, the U.S. Government will pay if you do not grow some of these things that we do not want grown."

That is the difference. Then people come along and say that the wheat and feed grain program is like that for cotton. It is not like cotton.

If your people in your district would take the cotton law, I am sure that we could cut down the expense to the Government very materially by applying it to wheat and corn. We would simply cut you by two-thirds of your history in wheat production and pay you not a dime for doing it. It would cut the cost of the program. That is what happened in cotton.

Mr. ANDREWS. Mr. Chairman, the people of our district are well aware of the fact that the farmers in the South who are growing soybeans on diverted acres are not being paid for these diverted acres.

Mr. POAGE. If they are aware of it, why do they so often mention it. Why do they come in like you have done and say that "We just want the privilege of growing other crops on our diverted acres like the man in the South who has the privilege of growing other crops on his acres diverted from cotton?"

Mr. ANDREWS. I think I should point out in all fairness that the bill that I introduced is an amendment to the bill that lists flaxseed and sesame and other nonsurplus crops and it goes on to say that there shall be no diversion payments made on these acres.

Mr. POAGE. Mr. Olson asked you the question, and then you gave the answer—and I do not mean to criticize you at all, Mr. Andrews; it is the same answer that most everybody in the Corn Belt gives, that you would like to be treated like the cotton farmer. I doubt very much that you really want to be treated like the cotton farmer. The Corn Belt farmer received payment for his diverted acres. The maize growers in my district received a payment when they diverted, but when you get that payment or he gets it, he has agreed with the Government that he will not grow these crops on his land.

Mr. ANDREWS. This is very true.

Mr. POAGE. Where the cotton farmer diverts acreage, when he does, he has no option—he has to do it because the law says that he has to

do it. He does not get a dime for doing it. All I am suggesting is that your statement is typical of so many who come along and compare the limitations of the cotton program with the limitations in the wheat and corn programs, but never compares the payments made under the different programs.

Mr. ANDREWS. I will be glad to explain it the other way, that we would like to be on a par with the cotton growers in the South who, for their diverted acres, do not get paid by the Government and are allowed to plant soybeans on that land. And the wheat and feed grain farmers would like to have the opportunity in my district, Mr. Chairman, to give up the diversion payment in return for the right to plant soybeans on these diverted acres, if they chose.

Mr. POAGE. Cotton has no such payments.

Mr. ANDREWS. I am aware of that, but they do raise soybeans and other crops on diverted acres.

Mr. POAGE. The cotton farmer has no alternative whatsoever. He diverts. He diverted two-thirds of what he grew back there before we had the program. He can only grow 16 million acres in the United States today. And before that we grew up to 43 million acres in cotton. And for the diverted acres he received not one dime and had no option. We do not have any option like you are talking about.

Are you willing to take for your growers the same thing that we have in cotton? I am willing to give it to you if you will take it. Do you want it?

Mr. ANDREWS. Mr. Chairman, all I was trying to do was to include soybeans along with flaxseed and other crops already in the law.

Mr. POAGE. You say that you want for your people what the cotton man gets. Do you want it? If you do, I will try to help you get it.

Mr. ANDREWS. No, sir. Mr. Chairman, we want for our people the right to produce——

Mr. POAGE. You want——

Mr. ANDREWS (continuing). Something that we think is needed.

Mr. POAGE. You want something different and more favorable than the cotton man gets. That is what you want, is it not?

Mr. ANDREWS. We would like to get as favorable a farm program as we possibly can.

Mr. POAGE. I do not blame you at all. I think that you are doing the right thing in that respect, but you do not want what the cotton man gets, do you?

Mr. ANDREWS. We certainly do not want the cutbacks, the serious cutbacks that the cotton farmer has taken, no, Mr. Chairman. We feel that what we do need, however, are alternatives under these programs.

Mr. POAGE. That is right.

Mr. ANDREWS. And if you pay a farmer cash dollars for diverting acres under a program, this is one thing. The farmer has some money in his pocket, and this is fine, but if we are going to have community facilities, if you are going to have elevators work, and the small mechanic and all the rest that makes a town, I thought that it would be wise for the Congress to take a look at the possibility of including soybeans as another alternative along with flaxseed and sesame seeds, et cetera, to be grown, which would save the Government the cost of making payments on these diverted acres and would give the farmer a crop that he wants.

Mr. POAGE. Can we not agree that we are both in agreement, then?

Mr. ANDREWS. Sure. We are in agreement.

Mr. POAGE. Instead of saying you want what the cotton man has got, why can you not say that you want what the sesame man has——

Mr. ANDREWS. And flaxseed producers—this is fine.

Mr. POAGE. But it is not the cotton program that you want, but this nonsurplus crops program?

Mr. ANDREWS. We would like to have the opportunity, Mr. Chairman, of growing nonsurplus crops that are in demand on the diverted acres.

Mr. POAGE. The man who grows sesame seeds and the like, has that opportunity.

Mr. ANDREWS. Yes, he does. Or flaxseed.

Mr. POAGE. Or flaxseed—I have forgotten what else there is——

Mr. ANDREWS. That is right.

Mr. POAGE. It has been found that they are not in surplus and he has the option that he wants.

Mr. ANDREWS. That is true.

Mr. POAGE. The cotton man does not have that option, does he?

Mr. ANDREWS. No, he does not have the choice between payments or growing substitute crops.

Mr. POAGE. And I hope that we find cooperation in the future from those of you who come from these places where you are getting this money, instead of saying that you want what the cotton man has, that you will say that you want what the safflower man has—that is what you are saying?

Mr. ANDREWS. We will be very happy. All we want——

Mr. POAGE. Instead of saying that you want what the cotton man wants or has.

Mr. ANDREWS. All we want is more income opportunities for our farmers—the opportunity for him to have as many choices in the management of his farm as possible.

Mr. POAGE. Do you not understand that your statement carried the implication that the cotton man has income opportunities that are denied to you?

Mr. ANDREWS. I would certainly not want to make any slurring implication on the great cotton farmers of America. I would only like to point out that on the diverted acres that we would like the opportunity of raising nonsurplus crops. I drew the comparison because the cotton farmers have been able to grow nonsurplus crops on their diverted acres.

Mr. QUIE. They can grow surplus crops.

Mr. ANDREWS. This is going further than I pointed out, but I do think that there are some good reason that we can give that we should grow soybeans on the diverted acres.

Mr. POAGE. I think that you have made a good argument. If you grow some of these nonsurplus crops, you can save money for the Government. And as long as soybeans remain a nonsurplus crop, I think that you make a splendid argument. All I am talking about is that you are saying exactly what so many people have said, they draw an invidious comparison with the cotton, and they leave their people believing that in some way the cotton farmer is robbing them and that he is getting something that they are denied, but you do not

want what the cotton farmer has got and you would not take it if we could give it to you, would you?

Mr. ANDREWS. No, we surely would not.

Mr. POAGE. That is right.

Mr. QUIE. Will you yield right there?

Mr. POAGE. Yes.

Mr. QUIE. Wheat acreage has been cut to 49 million. That has already been done. And the same with cotton. It has been cut. All the programs of the past have done is to shift the production in our country from one kind to another on these acres. Farmers keep producing on all of our acres. The corn farmer and the wheat farmer would like to have those acres where he can raise some other crop, because he can make more money on some other crop. The situation occurs in cotton acreage, they are raising other commodities. And those commodities get us into difficulty when they are raised on the so-called diverted acres. Now, cotton is down to 16 million acres. If there is going to be another cut in cotton, I would still be interested to see that they have the same kind of a diversion program for the same reason that we have them on wheat and feed grains.

Mr. ANDREWS. I am in good company on this. Mr. Chairman, because I understand that the President also recommended the same thing that we plant soybeans on the diverted acres because we need more beans for export.

Mr. POAGE. I do not think anybody is criticizing your suggestion to plant soybeans on the diverted acres. That is not it. I am sorry I have been unable to make my point. That is not the point that I made at all. I told you that it was not that. What I commented on was your implication that you wanted exactly what the cotton farmer has when you do not want it. You have so said. And these people who say they want what the cotton farmer has, so say, also, I think it is grossly unfair to come here and imply that the cotton farmer is getting a more favorable program than you are getting when you actually do not want the program that the cotton farmer is getting. You would not take it if we gave it to you, and you so have testified.

Mr. ANDREWS. This is true, Mr. Chairman.

Mr. POAGE. That is the only point that I was making. I am not making any point that you were wrong in your suggestion that we should consider allowing the planting of soybeans or any other non-surplus crop on these diverted acres. I think that we would save the Government some money that way if we did, but do not go out and tell the people that that is the cotton program. That is not the cotton program.

Mr. ANDREWS. Fair enough, Mr. Chairman. I appreciate that.

Mr. CALLAN. Getting back to the wheat bill, what would you estimate the price per bushel would be that you would receive under this program?

Mr. ANDREWS. About \$1.88 average or "blend." This was estimated for us by the staff on the Senate side. Senator Young and Senator Mundt asked for the estimates.

Mr. CALLAN. That is for the total market?

Mr. ANDREWS. This was the estimate that this program would come out with that.

Mr. CALLAN. Do you have any idea what it would cost the Federal Government?

Mr. ANDREWS. The certificate could cost them absolutely nothing. If the President exercised the provision to have these certificates picked up by the first user with the exception of the diversion payments. The diversion payment would still be made by the Government and the cost to the Government then would be down in the neighborhood of about \$140 to \$150 million.

Mr. CALLAN. And the extra cost to the consumer would be how much?

Mr. ANDREWS. The extra cost to the consumer would be about three-quarters of a cent on a loaf of bread.

Mr. CALLAN. Would the total amount be about \$1 billion a year?

Mr. ANDREWS. The total amount in dollars would be about three-quarters of that only if all the certificates were paid by the Government, and all storage, foreign aid, and other payments added in.

Mr. CALLAN. One other question. You are talking about or we have been talking about keeping agreements.

Mr. ANDREWS. I did not quite hear you. Are you referring to the Nasser wheat gift?

Mr. CALLAN. In 1962 we made an agreement to sell certain amounts of wheat to Egypt.

Mr. ANDREWS. That is right.

Mr. CALLAN. In the recent controversy over the sale of this wheat those who supported that motion actually said that the United States was not going to recognize the agreement, is that true?

Mr. ANDREWS. This is absolutely true, Mr. Callan. I think that when somebody tells you to go drink sea water, obviously any prior commitment we had became the subject of renegotiation. If we do not have this attitude we will be shoved around by every country everywhere on the face of the globe.

Mr. CALLAN. There is nothing binding about the agreement?

Mr. ANDREWS. There is everything binding about an agreement, Mr. Callan, as long as both groups are in good faith, but if one of the groups comes out and says, "We do not want any part of you," all agreements are over—"To heck with you—go jump in the lake," what do we do, do we say, "My goodness, we still love you," and kiss his other cheek?

Mr. CALLAN. But you do not think that we should make an agreement with so many circumstances involved as here—we made the agreement to sell this wheat.

Mr. ANDREWS. We made an agreement to sell the wheat. Actually, I think when nations treat our country like that we are going to have to stand on our own rights and say that these types of things open up for renegotiation any prior agreements that we have entered into.

Mr. CALLAN. Thank you.

Mr. POAGE. Are there any further questions?

Mr. BANDSTRA. I have looked at your bill regarding soybeans. Do you have anything specific in mind regarding the number of acres they would be permitted to plant to soybeans? Do you have anything more specific in mind other than just the authorization to plant soybeans on diverted acres?

Mr. ANDREWS. Mr. Bandstra, my bill would merely add soybeans to the list of crops, such as flax seed and the others that could be grown on these diverted acres. Under my bill the farmer could choose be-

tween payment or growing nonsurplus crops. It was done with two thoughts in mind. One, it would give the farmer income opportunity and, of course, would radiate out into the community. The second thing is that it would save the Government tax dollars, because in place of paying diversion payments on the particular acres they would not.

Mr. BANDSTRA. Then, under your bill, he could put all diverted acres into soybeans?

Mr. ANDREWS. That is right.

Mr. GRIEGG. Have you found in your own district, North Dakota, that this proposal for soybeans on the diverted acres would be a rather acceptable thing to them there?

Mr. ANDREWS. It is not entirely, no. Some groups said that they did not like it at all. They said that about some other plans that I have had, so far as farm programs are concerned.

The average farmer that I have talked to thinks it is a good idea. They think that so long as soybeans are not in surplus, so long as there is a need for them in the export markets, so long as we need a better balance of payments, fine. Our farmers would rather produce than not produce. Our farmers like to see things growing in North Dakota, as I am sure they do in every other State. And they would much rather be given the opportunity to plant a crop on those acres and to market that crop at a fair price than to leave the acres idle and to get a Government payment. The individual farmer response on it has been very good. The response on it among the organizational leaders has not been as enthusiastic.

Mr. GRIEGG. I am interested in the overall feeling of the people in your district. Is it that they felt this was a pretty good thing?

Mr. ANDREWS. In talking to the individual farmers, they think it is a sensible idea.

Mr. GRIEGG. Without payments?

Mr. ANDREWS. Without payments.

Mr. GRIEGG. Just the diversion?

Mr. ANDREWS. Yes.

Mr. REDLIN. I am glad for your interest in the subject. You have made a splendid presentation. I think in relation to the Canadian wheat proposition that this is due very much to the fact that the Canadian wheat producer by reason of their transportation setup, as you described it, gets a tremendous subsidy. The Government enters into the railroad picture.

Mr. ANDREWS. This is absolutely correct.

Mr. REDLIN. This is an indirect subsidy that we do not have.

Mr. ANDREWS. This is true, but let me clarify that a little bit, Mr. Redlin. The Government does not enter into the railroad rates in the form of a subsidy entirely. There are two lines in Canada—one is Government-owned and the other one is a privately owned railroad. Actually, the private line is the one that is making a profit. They got into that rate deal a long time ago, where they agreed that they would keep this low rate. That was about 1880 or 1890 and they have kept that rate. It has been of a great advantage to the entire prairie economy up there. Yes, they do have a great benefit from this lower rate.

Mr. REDLIN. One other question relating to the Canadian situation. They have been selling their wheat to some customers that the United

States would not sell to. That is true, is it not, that they have been making deals with others than we would?

Mr. ANDREWS. With only one customer that the United States has been unwilling to deal with, and that is Red China. Otherwise, Japan, Russia, Yugoslavia, Poland, and all of the others are the same customers we have been dealing with.

Mr. REDLIN. But the Chinese customers have purchased out of proportion to the others.

Mr. ANDREWS. I do not think that is the majority of their wheat sales. Do you know if it is the majority?

Mr. REDLIN. I am not positive exactly on that. I was asking you for information. It is a large factor, however.

Mr. ANDREWS. It is a factor, certainly.

Mr. REDLIN. In relation to your bill which would change the release picture, I believe it does from 105 to 125—

Mr. ANDREWS. Yes.

Mr. REDLIN (continuing). You gave us the example where you said that 1 million bushels could be on the dock, let us say, and in the meantime the Commodity Credit Corporation could have queered the deal by entering into that identical market?

Mr. ANDREWS. That is right.

Mr. REDLIN. Do I understand your point to be that you would like to see this removed, and I would have to assume then concerning the deal that you are talking about, it must have been at a price of 106 percent?

Mr. ANDREWS. That is true—this is very true. The statement that has been made to me by the leaders in the export grain trade of this country has been that if they are going to aggressively market our grain they have to be free to do it. Maybe some members of the committee would prefer to see the arrangement where the Government does all of the negotiating. This is one method. I personally would not like to see this, but you cannot have it the way we have got it and do a good job, because we have the Government in there as a ruthless competitor in our country often queering the private segment's initiation of a wheat sale. As long as the Secretary can manipulate the prices on the market with a low release price you cannot have aggressive sales that we need to benefit not only our farmers but the entire country. And this has been stated to me, as I am sure it has been to you, by leaders of our grain trade, both corporate and cooperative. And they are all doing a wonderful job to try to move this surplus. I think that they have to be helped, and I think that they deserve to get the utmost cooperation.

Mr. REDLIN. One more question. In relation to our export program, Mr. Andrews, if we were to go as high as 125 percent, would this have a tremendous effect on our export program in the part that we would be exporting under subsidy which would be required, would this then mean additional subsidies on more sales than the Government makes than would be possible under other arrangements?

Mr. ANDREWS. I do not believe so, Mr. Redlin, because under our bill we would have a situation where the production will be handled in such a way that it can meet the export and the domestic demand year by year, and the Commodity Credit Corporation stockpile will by being insulated to 115- to 125-percent release price serve as an

insurance policy, so to speak, for a good reserve. Many people have tried to set this up by law. Actually 115- to 125-percent release price would, in effect, do this with the Government rotating in fresh stocks as they took the old out. You would sell out at the same price that you bought in, but this stockpile I do not think represents surplus—I think it represents a good insurance policy to make sure that we do not run short of food at some time.

Mr. REDLIN. I agree with you. Thank you.

Mr. LATTA. Under your bill what percentage of a farmer's Hard Red Winter wheat production would be eligible for certificate?

Mr. ANDREWS. Forty-five percent.

Mr. LATTA. And a Soft Red Winter wheat farmer's production?

Mr. ANDREWS. It is the same under the provisions of the bill.

Mr. LATTA. I am wondering if you are familiar with the fact that only 41 percent of the Hard Red wheat is used in the domestic market, but that 62 percent of our Soft Red Winter wheat is used domestically?

Mr. ANDREWS. I am very well aware of it.

Mr. LATTA. Do you not think that the producers of Soft Red Winter wheat get shortchanged under a program where they get certificates for only 45 percent of their production?

Mr. ANDREWS. If their wheat is worth more in the domestic market, Mr. Latta, the chances are that the market price under the free market will end up being 10 to 15 cents a bushel higher. They will in this way get an extra compensation. We found this true in our Hard Red Spring which is a little more in demand. We have been running at a price probably 10 cents a bushel higher than the price of some of the Soft wheats. This could partially offset this.

Mr. LATTA. My question was not directed to what it is in the free market. My question was directed to the statistics furnished by the Department, which show that 62 percent of our Soft Red Winter wheat is used domestically but that under this legislation they receive these certificates on only 45 percent of their production.

Mr. ANDREWS. This has been an argument that has been raised many times and I am well aware of it and I am certainly willing to amend or to change in any way we possibly can the setting up of these domestic certificates if it is within the thinking of the Congress that this will be fairer than the method we are presenting. We present a method we think would be workable.

Mr. LATTA. You are familiar with the fact that most of the opposition to this type of program comes from the Soft Red Winter wheat areas?

Mr. ANDREWS. That is right.

Mr. LATTA. And could that not probably be due to the fact that they are getting shortchanged on these domestic certificates?

Mr. ANDREWS. But these figures do change. Durum, for instance, at one time was 80 percent domestically consumed and now it is far less than that.

Mr. LATTA. They have varied in the past in favor of a higher percentage of domestic use for the Soft Red Winter wheat.

Mr. ANDREWS. I am well aware of it. It is one of the problems that you get into when you are dealing with legislation affecting a commodity which is produced in so many different States.

Mr. LATTA. Have you given any thought to adjusting it based on what the actual percentage of domestic use is?

Mr. ANDREWS. In working up the bill last year and again in considering it for reintroduction this year, with the changes we made in it, we have had long discussions on this very fact. We have always felt that if this wheat was actually preferred for domestic use the demand would result in an increase in the price on the local market and that would partially compensate the growers for their wheat that is in greater demand domestically because you understand that with a fixed price for the certificate these people would then be getting perhaps 110 percent of parity for their domestic wheat and it would average out the same as if you gave them the extra certificate.

Mr. LATTA. Thank you. That is all.

Mr. POAGE. Are there any further questions of Mr. Andrews?

If not, we are very much obliged to you, Mr. Andrews.

Mr. Ellsworth introduced a bill similar to yours.

Mr. ANDREWS. Yes, sir, he did. He was interested in coming before the committee at some point.

Mr. POAGE. Your explanatory notes will be made a part of the record at this point.

(The statement follows:)

REMARKS BY CONGRESSMAN MARK ANDREWS ON THE INTRODUCTION OF HIS FARM BILL

Mr. Speaker, today I am joining with Senators Milton Young of North Dakota, Karl Mundt, of South Dakota, Frank Carlson, of Kansas, and Gordon Allott, of Colorado, in introducing legislation to amend the present wheat law.

This is of course extremely important to North Dakota, which derives more of its income from the sale of wheat than any other State in the Nation. But it's equally important to all Americans, since agriculture is in a tough financial situation today. And agriculture is a business whose overall activity amounts to close to \$50 billion a year.

Too many of our city friends fail to realize the great stake they have in the prosperity of the American farmer. Three out of ten persons employed in private industry look to the farm for their income, and illness in this segment of our economy can be a contagious thing indeed.

Our bill provides for the American farmer to get full parity, an American price, for that wheat he produces for other Americans, and this is only fair and reasonable since, after all, his costs of production are American costs and he is one of the best customers of American industry.

Because half of our wheat must be exported and increased exports of life-giving food could well be the greatest benefit to our foreign policy, the amount of wheat going into export would be priced competitively and its value would be established in the marketplace. This would help our Nation more aggressively regain export markets we so sorely need.

Our bill is a much less complicated bill than the present bill. It removes some of the discretionary powers of the Secretary of Agriculture which have been so confusing to the American farmers.

I am including in my remarks a short explanation of the bill, as well as a more detailed point-by-point explanation for the interest of my colleagues.

SHORT EXPLANATION OF H.R. 4140

This bill provides for a voluntary wheat domestic parity program. It would—

1. Repeal existing provisions for marketing quotas;
2. Make permanent the provision for a minimum national acreage allotment of 49 500,000 acres;
3. Provide full parity for wheat for domestic food consumption, and not less than the higher of (1) the farm price equivalent of the previous 3-year average world market price, or (2) 50 percent of parity, for all other wheat;

4. Repeal provisions for acreage penalties for overplanting or underplanting allotments;
5. Require the special acreage reserve for old wheat farms to equal 1 million acres;
6. Permit producers of excess wheat to store their excess and qualify for marketing certificates and price support;
7. Permit certificates to be issued for the wheat held over from a prior crop where the current crop is underplanted;
8. Permit the President to suspend the requirement that processors acquire marketing certificates, in which case all certificates would be redeemed by Commodity Credit Corporation;
9. Repeal the provision for monetary penalties for producing crops on acreage required to be diverted from wheat; and
10. Extend the wheat diversion payment program permanently with a mandatory payment rate equal to 50 percent of the noncertificate support price multiplied by the normal production of the acreage diverted.

Under the bill acreage allotments would be proclaimed every year. The amount of the national acreage allotment would be the larger of 49,500,000 acres, or the acreage needed to meet the production objective, which could not be less than 1 billion bushels. It would be apportioned among States, counties, and farms as provided by existing law, except that no loss of history would result from the overplanting or underplanting of allotments. Marketing certificates would be utilized as under existing law, except that they would be restricted to the portion of the crop needed for domestic food consumption, and the support level for all certificate wheat would be full parity, instead of 65 to 90 percent of parity for domestic certificate wheat and zero to 90 percent of parity for export certificate wheat. The remainder of the crop would be supported at the level now provided for noncertificate wheat, and certificates would not be required for export wheat. The President would determine, in accordance with the objectives of the act, whether processors would be required to obtain certificates for wheat processed for domestic consumption, or whether the wheat for domestic consumption should move at the noncertificate price, with the certificate issued to producers being redeemed by Commodity Credit Corporation. The bill would be applicable to the 1966 and subsequent crops.

**STATEMENT OF HON. ROBERT F. ELLSWORTH, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF KANSAS**

Mr. Chairman, on March 29 I introduced a bill, H.R. 6877,¹ which, if approved by the Congress, would substantially increase the income of the wheat producers of the Nation. At present the farmer in America is not receiving his fair share of the national income, and steps must be taken to remedy this highly undesirable situation. I am convinced, Mr. Chairman, that it will be not only the farmer who will experience a substantial loss if action is not taken; the impact will be felt throughout the national economy.

The present farm parity is rated at 75 percent. The 75 percent is the lowest that the American farmer has received since the 1930's. Only recently, during the Eisenhower administration, parity averaged 84½ percent. The present situation is serious, but a continued decline would be crippling.

It has been pointed out many times that a sound and stable agricultural economy is essential if we are to maintain prosperity through all America. Those engaged in agriculture are both producers and consumers. Farmers must be assured of parity of income so that they can purchase as consumers the products processed by those living in urban areas and engaged in our great industrial production. If the income of the farmer is depressed he cannot buy the automobiles, the appliances, the many various household needs and other items essential to 20th century living in America.

The American Farmer is largely responsible for the progress we presently enjoy. It was through his dedicated efforts and increased efficiency that this Nation was able to devote more time to the research and development of our advanced society. Now that he has attained a position as the most advanced and efficient farmer in the world it becomes our responsibility to provide assistance to his paradoxical situation. Action is needed to reverse and improve re-

¹ Mr. Ellsworth's bill, H.R. 6877, is similar to H.R. 4140, the text of which appears on p. 77.

cent trends, and action must be taken now. I urge, Mr. Chairman, that serious thought and sincere effort initiate a course that will grant to the farmer only that which he so rightly deserves.

Mr. POAGE. That completes all of our calendar on all of the bills that we had listed as having been introduced.

We have, as I understand it, 22 of the Farm Bureau bills which were introduced. Mr. Latta had two different bills. At the time we called the docket at 10 minutes after 10, Mr. Harvey was the only man here who had introduced one of these bills who was present, and he filed a statement expressing his views.

Now there are some who have come in since. Mr. Latta and Mr. Findley and Mr. Nelson are here. I believe each of you have introduced the Farm Bureau bill?

Is there anyone else who wants to be heard on the Farm Bureau bill?

We have just a little over 15 minutes left, and I think that the fair thing to do is to find out those who desire to be heard and who desire to proceed during the remainder of this period of time.

Mr. FINDLEY. I appreciate your problem, but I actually came in at 10:08. I checked the clock. I hope that it will be possible for us to continue the hearings at an early date to give us a full chance to present our views.

Mr. POAGE. Mr. Findley, I am not contemplating any further hearings. I have made this statement previously, that we were holding these hearings now when the committee had an opportunity to hear the witnesses. There is that opportunity now. There might not be that opportunity later. If time is available in the future we certainly will try to get to it, but we would like to hear those who have something to present now.

I think right now is the time, if you wish to be heard for 5 minutes, we will proceed with you.

Is there objection?

If there is no objection we will proceed. Mr. Latta.

STATEMENT OF HON. DELBERT L. LATTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. LATTA. Mr. Chairman and members, as you said, at least 22 Members of the Congress of both political parties have introduced bills in this Congress to carry out recommendations for farm legislation made by the Farm Bureau. Many of these bills contain modifications but basically they are the same in that they would permit the individual farmer to make his own decisions as to which crops he should grow, how much of each he can profitably produce, and whether it would be to his advantage to put a part or all of his farm in a cropland retirement program.

This morning I would like to direct my remarks toward the land retirement title of H.R. 4401, the bill that I introduced. It is my understanding that other members will discuss the wheat and feed grain sections of the Farm Bureau bill.

Mr. Harvey has already filed his statement.

It was recently stated, on February 4, by a high Government source that the annual acreage diversion and acreage allotment pro-

grams now in effect should be supplemented by a long-term cropland adjustment program. A program "which will reduce the cost of our production adjustment efforts, assist landowners in turning their land to nonagricultural uses, such as recreation, and to forestry, and assist small farmers who want to do other work while remaining in their communities" has been recommended. And "the proportion of land which could be covered by this program in any area should be limited to protect our communities."

"Agriculture's excess production capacity is a long-run problem. A long-term land use program can achieve a large part of the needed adjustment more effectively and with greater benefits than annual diversion programs."

"This program will reduce the annual cost of other programs by more than its own cost. It will provide enduring benefits not realized under present programs."

"The purposes of the cropland adjustment program will be served if much of the land is permanently removed from production. Every reason exists, therefore, for applying a contribution from this program to the cost of public purchases of cropland for recreation, for enhancement of natural beauty, for prevention of air and water pollution, or for open space purposes."

This high Government source conclude his discussion on the need for a cropland adjustment program by recommending "that the authorizing legislation permit funds appropriated for cropland adjustment to be used to augment moneys raised by States and local governments and those which are provided by the Federal Government through the land and water conservation fund and other programs for public land acquisition."

Now, Mr. Chairman, as you probably know by now I have not been quoting Congressman Latta, nor the American Farm Bureau Federation, but I have been quoting none other than the President of the United States, Lyndon B. Johnson, in his farm message to this Congress on February 4, 1965. And, incidentally, but not by design, my bill bears the same date.

With the exception of the "Public Purchase of Cropland"—with which I do not agree and apparently the chairman does agree—the recommendations set forth in this message can be put into effect by the adoption of the land retirement title set forth in H.R. 4401. This title permits the Secretary of Agriculture to enter into contracts covering 3 years or more with producers for the voluntary retirement of any or all of his cropland and the devotion of the same to soil conserving uses.

To relieve the fears of those who believe that such a program would make ghost towns out of a lot of small communities, the bill contains a provision that—

The Secretary shall place a maximum limitation on the percentage of total cropland which may be retired and devoted to soil conserving uses in any State or county if he finds that such action is necessary to prevent the cropland retirement program from having unduly disruptive effect on the economies of counties and local communities.

My bill, H.R. 4401, would provide for competitive bids, provide for protective vegetation cover, cutting of weeds, and prohibit grazing on retired acres.

And on page 4 of my bill it states:

The Secretary shall determine the rate of rental payments that will provide producers with the fair and reasonable annual return on the land retired and devoted to soil conserving uses after taking all relevant factors into consideration including (1) the incentive necessary to achieve voluntary participation in the program, (2) the loss of crop production on the retired acres, (3) any savings in cost which result from not planting crops, (4) the estimated profit margin of crop production on the designated acres, (5) continuing farm overhead expenses, (6) the cost of establishing a conservation practice on the retired acres, (7) the value of the land for production of commodities customarily grown on such kind of land in the county or area and (8) drought, flood, or other abnormal conditions.

I want to particularly call the committee's attention to the top of page 5 of my bill, H.R. 4401, because this section differs from the other bills and it would implement the recommendations of the President of the United States as he set forth in his message, a part of which I have read to you.

The rate of rental payments as determined in accordance with the preceding paragraph shall be increased by not less than 10 per centum on that land retired by producers who further agree to permit access to such land by the general public, during the contract period, for hunting, trapping, fishing, and hiking under applicable State and Federal regulations.

This would make the program more attractive to people who are nonfarmers. I respectfully urge its consideration by the committee.

Thank you.

Mr. POAGE. Thank you, Mr. Latta.

Mr. Findley.

STATEMENT OF HON. PAUL FINDLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. FINDLEY. Mr. Chairman, I urge the House Committee on Agriculture to drop the present wheat and feed grains legislation in favor of a new approach based on market prices.

The present programs, in my opinion, are compounding problems for the farmer, causing serious harm to our private enterprise merchandising system, and heaping unnecessary burdens on the taxpayer and consumer.

My bill, H.R. 1595, which is very similar to Mr. Latta's would authorize crop loans at 90 percent of market prices, stop dumping by raising the minimum prices at which Government stocks can be sold, and provide a short-term limited cropland retirement program.

After 4 years of the so-called emergency feed grains program costs are up and results are down.

The U.S. Department of Agriculture is looking for a corn crop this year equal to the old-time record of 1963, and planting intention reports indicate that by October 1 the carryover will be back up to 70 million tons, where it was in 1962, about \$3 billion ago.

Under my bill, program costs would be cut to less than one-half the present level, farmers could compete efficiently for expanding markets, consumers would be assured of fair prices unencumbered by gimmicks like the bread tax, which is a part of the wheat program, and our historically successful marketplace system would be permitted to operate.

Surplus stocks would not accumulate in Government hands unless

a very severe price drop occurred and then the accumulation would only be temporary.

My program would give assurance of increasing family farm income, in improving the farmer's ability to build markets at home and abroad. And I believe that the general public will support a reasonable expenditure for Government farm programs provided we can demonstrate that these programs will improve the situation instead of making it worse. My proposal would definitely head American agriculture in the right direction. I regret that time is so limited. I was hoping that there would be time for a serious and thorough exchange of views.

Under my proposal all farmers would be treated alike. There would be no second-class citizenship. There would be no favoritism. It would be completely voluntary.

The present feed grains and wheat programs would be repealed and along with them the acreage allotment marketing quotas.

It would promote efficiency because it would enable each farmer and farm unit to make the best use of his and its own resources unencumbered by artificial incentives or orders from the Department of Agriculture.

The competitive market would be reestablished. The farmer would in all cases, unless a serious price drop should occur be producing for the marketplace, and not for prices fixed by the Government.

The Secretary of Agriculture would not have the discretion to adjust the price supports. This discretion is what has gotten us into trouble. Cotton is a prize illustration.

Prices could go up and I believe they would. Under present circumstances price supports have acted as a ceiling instead of a floor. And under my program prices could rise as they have for soybeans where the soybean market prices have stayed rather consistently above the price support level.

The tendency toward establishing a valuable Federal franchise representing the right to grow wheat and corn—a franchise from the Government itself—would no longer exist.

All grains would compete fairly with each other. Dumping of Government stocks would be for all practical purposes prohibited.

I should like to have inserted in the record at this point some comments I have already previously made.

Mr. POAGE. Without objection.

(The document referred to follows:)

[From the Congressional Record of Jan. 11, 1965]

PRESENT PROGRAMS HAVE FAILED

Mr. FINDLEY. Experience with the present temporary wheat certificate plan clearly indicates the need for a sounder and less complex approach to the economic problems of wheatgrowers.

New wheat legislation should be enacted in time to eliminate the necessity for another referendum on the wheat certificate plan provided by existing law which was rejected by wheatgrowers in 1963.

The present "emergency" feed grain program was initiated in 1961 and has been extended with minor modifications since that time. Considering the vast acreage of land diverted from production by the program, the growth in market attained during its 4 years of operation, the poor crop in 1964, and the continuing surplus of feed grains, the program clearly has failed to solve the feed grain problem.

Furthermore, the programs for wheat and feed grains have aggravated the price and income problems of livestock producers and have proved an enormous financial burden on the Federal Treasury.

My proposal for meeting the economic problems of wheat, feed grain, and livestock producers, is as follows:

Authority for wheat marketing quotas and acreage allotments would be terminated, and the multiple-price wheat plan provisions of the 1962 Farm Act would be repealed. The provision of the Agricultural Act of 1964, authorizing the 1964 and 1965 program for wheat would be allowed to expire. The 1963 Feed Grain Act, which applies only to the 1964 and 1965 crops of feed grains, would be allowed to expire.

These actions are necessary in order to clear the slate, beginning with the 1966 crops, for a new approach to the wheat and feed grain problem. Efforts to control wheat and feed grain production by means of acreage allotments and marketing quota programs have failed dismally. They have created inefficiencies in the production of farm commodities. They have increased production costs. They have shifted the surplus problem from one commodity to another.

My bill would enable each farmer to decide for himself which grains he should grow, how much of each he can best produce, and whether he would be better off to place a part or all of his farm under a transitional cropland retirement contract.

PRICE SUPPORTS BASED ON MARKET PRICES

Beginning with the 1966 crop, price supports for wheat would be set at the U.S. farm price equivalent of the average world market price during the immediately preceding 3 marketing years—currently about \$1.34 per bushel. Premiums and discounts would be used to reflect market demand for milling and baking quality. For corn supports would be 90 percent of the average price received by farmers for corn during the immediately preceding 3 years. Currently this would mean a price support of about \$1 per bushel for corn. Supports for other feed grains would be related to corn with differentials to reflect differences in feeding value.

Under no circumstances would the price support level be less than 50 percent of the applicable parity price, currently about \$1.26 per bushel for wheat and 78 cents per bushel for corn. At the present time support prices computed by the market price formulas would be considerably higher than 50 percent of parity in all cases. This approach would eliminate administrative discretion with respect to price-support levels for wheat and feed grains. It would automatically adjust support prices to changing supply and demand conditions.

Support prices set in this manner would not impede the workings of the market; would not be an incentive to increase production; and yet, would provide protection against any substantial drop in wheat and feed grain prices.

Because price supports set in this manner would not be an artificial stimulant to production, it would not be necessary to couple them with restrictions on production or marketing of grains.

LIMITED CROPLAND RETIREMENT

My bill provides a limited land retirement program to ease the adjustment of agricultural production to effective market demand. It would be temporary and voluntary, provide for competitive bids, take cropland out of production for 3 to 5 years—except that land being diverted to timber could be placed under contract for up to 10 years—with emphasis on whole farms, and prohibit the grazing of retired acres. Under no circumstances could total rental payments in any one year exceed \$750 million.

The Secretary would be authorized for a period of 3 years to enter into contracts for the voluntary retirement of cropland with emphasis on whole-farm retirement.

A cropland retirement program of this nature would lead to the withdrawal of much greater productive capacity per dollar cost and would eliminate most of the administrative problems associated with the emergency-type programs of recent years. Cropland retirement would terminate completely after the limited transitional period.

Producers of all commodities would be given an opportunity to participate in the cropland retirement program. Producers would be required to establish and maintain proper vegetative cover and control of noxious weeds on the retired acres. They would not be allowed to graze or harvest any crop off the land.

The voluntary nature of this proposed cropland retirement program minimizes the likelihood that it could have any adverse effects on individual counties or communities; however, to make certain that no area would be adversely affected, the Secretary would be directed to place a maximum limitation on the percentage of total cropland which could be retired in any one State or county.

Cost would be less than one-half the cost of present programs.

CCC DUMPING PROHIBITED

To protect farmers against competition from the release of CCC surplus stocks of wheat and feed grains, sale of these stocks at less than 125 percent of prevailing support levels, plus reasonable carrying charges, would be prohibited except for sales that are offset by open-market purchases. This exception is designed to provide needed flexibility for the maintenance of good inventory management practice.

The isolation of CCC stocks from the market would reinstate immediately the traditional functions of the market system in establishing farm commodity prices and guiding agricultural production. Farmers should not be handicapped by ceilings put on current commodity prices through the dumping of CCC stocks, which have been built up under unsound programs of the past. Farmers' experience with the CCC dumping of both feed grains and wheat in the last 4 years has been disastrous.

The proposal to terminate both wheat allotments and the present feed grain program and to institute a cropland retirement program puts all grains on the same basis. It provides no restrictions on individual farm operations except those applying to land voluntarily retired under the program. All farmers will be completely free to use all their noncontracted crop and as they wish, except for crops under marketing quotas. This would lead to a restoration of competitive markets and more efficient production. Thus, it would lead also to more efficient and more profitable livestock, dairy, and poultry production.

This program would provide farmers the opportunity to use their land, capital, and labor for the production of commodities which promise greatest returns and highest possible net income.

It gets away from historic bases, yield factors, minimum allotments, and the other problems inherent in Government efforts to regulate individual farming operations. It preserves the opportunity for each farmer to make his own decision. It provides for needed adjustments in resource use without forcing every farmer to retire a part of his farms without regard to his individual situation. It uses support prices to encourage orderly marketing and orderly adjustments in production rather than to fix prices. In order to give the market an opportunity to function it provides protection against the dumping of CCC stocks.

This program gives assurance of increasing family farm income, and improving farmers' ability to build markets at home and abroad.

Mr. POAGE. Thank you very much, Mr. Findley. We are very much obliged to you.

Now we will hear from Mr. Nelsen.

STATEMENT OF HON. ANCHER NELSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. NELSEN. Mr. Chairman and members, in listening to the discussion here I am reminded of the sick man who was on his deathbed, and in answer to the statement "If you will renounce the devil, you will be saved" answered "I am in no position to argue with anybody in the shape that I am in."

That is about the shape that we find many of our Midwest farmers in at this time.

I want to say that I do not think that we can afford the luxury of political argument about farm programs any more and I think that we need to get down to business and get some kind of a bill passed.

I want to make some general observations relative to farm legislation and to point out that Senator Clinton Anderson way back in 1947 made the comment that we needed a floor under agriculture prices and that we should permit it to work above the floor in our free enterprise system. I think that is sound economics. And I subscribe to it. But I would like to point out that in the feed grain legislation, those of us who live in the Midwest where 80 percent of our farm income is livestock, family farms have little of our commodities sealed or have very little put under loan. Most of us are dairy farmers or feed cattle.

I want to point out that when the first feed grain bill was proposed by Secretary Freeman, after his having talked of 90 percent of parity, I was very much surprised when the bill was at 74 percent. I was still more surprised and discouraged and frightened when I saw in the bill the provision that would permit the sale of surplus commodities below the support price. This makes the floor the ceiling.

I subscribe to the theory that Senator Clinton Anderson has long held, that is, that there should be a floor and then to permit our program to work above the floor.

Now, some general observations concerning the Farm Bureau bill. If I were to change any figure it would be the one where the floor is set at 50 percent, the 3-year average. If it goes below the 50 percent, I think that I would subscribe to raising that a little bit.

I want to point out in title I of the bill, on acres that will be going out of production, the emphasis is being placed on conservation. I do not mean conservation in the term of soil conservation.

I think that we could do a great service to our country in the long-range plan if we could integrate the operation of our fish and wildlife activities along with our farmlands to make it a better program.

As to the release price, I would say that the figure of 125 percent certainly is merited. I have a separate bill which would set it at 120 percent. I certainly would accept an increase.

Today questions have been asked about Commodity Credit Corporation sales. I want to tell you it is almost impossible to get figures. It is almost impossible to find out who bought what.

We have been trying, and I can tell you that many of the Commodity Credit Corporation sales have been down as low as 50 percent of parity. That is bound to have had an influence on the market.

I have statements from the various commodity offices all over the United States and in comparing them with the parity price sometimes we are down to 51 or 52 percent on the release price for the Commodity Credit Corporation and this is bound to have a disastrous effect on the market price. It turns out to make the Government of the United States the greatest competitor—the most devastating competitor of the farmers of America at the present time.

I would like now to make a comment or two on the term “redtape” which was suggested in the discussion earlier. I think we have to figure out some rules under which our county committees can operate with a little more freedom of decision. It does not matter, but let me say that my son who has been operating our farm is leaving the farm. In 1956 I bought an adjacent farm because I wanted him to have an equity in its operation. The farm is one of the old homesteads of the area, and they had corn on it from the very day that corn was planted in our area. But due to a rotation practice and a decision of

a county committee, to this day my son does not have a single acre of feed grain base on his farm. I think that is unfortunate. I think that we need the right language—and I know that the chairman agrees with me—that this is not exactly fair, because I think one of the factors that caused my son to leave is that he could not participate in any program.

I would like to make a mention about the soybean situation. I have a little different idea that I think could be worked into legislation. For example, if a farmer had a 100-acre base and he was willing to cut back to 75 acres, let him put a part of that 75 acres into soybeans if he wishes, and still be eligible for his payments.

I think my time is up, Mr. Chairman. I want to thank you for giving me this opportunity to be heard. I want the committee to know that farming is my business. I have lived on it all of my life. I am very, very fond of it. I think our Midwest is quite a minority as far as the makeup of the Congress is concerned, but a great percentage of our feed grain is provided in the area that I live in. I hope that we in this session of Congress can bring up some legislation that will be in the interests of the feed grain farmers of the Midwest. I have no disposition to get into the argument about safflower or cotton.

Thank you very much.

Mr. POAGE. Thank you, Mr. Nelsen, for the benefit of your statement. And, further, for the benefit of our members who do not know it, Mr. Nelsen was once Administrator of the REA. He has had a long personal experience with farm problems. I wish, Mr. Nelsen, that you would put into the record at least a few representative figures wherein you suggested that there were many cases where the CCC had sold grain at about 50 percent of parity.

Mr. NELSEN. Mr. Chairman, you will not have to encourage me—I will be happy to do so.

Thank you.

(Congressman Nelsen subsequently filed a statement including statistical tables and it was placed in the hearings on the release prices of CCC stocks, April 27, 1965. See pp. 377–380.)

Mr. POAGE. I think that we have heard everybody who is here who wants to be heard.

Is there anybody present who wants to be heard on the bills this morning? I would like to get that clear in the record. I had thought that we had 22 bills here for the Farm Bureau Federation. Apparently there is a considerable difference among these bills.

Mr. McLain, I wonder if you could clarify that?

Do we have 22 of the same bills or 22 different bills?

STATEMENT OF MARVIN L. McLAIN, ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. McLAIN. Mr. Chairman, there are a few minor modifications—there are minor differences between a few of them. Mr. Latta has a modification in his bill. Mr. Nelsen has just indicated that he thought that the 50 percent was a little too low.

Mr. POAGE. They are essentially Farm Bureau bills?

Mr. McLAIN. That is right. The only difference that Mr. Findley has in his bill is a maximum amount of money to be spent. We do not seriously object to any of these minor changes.

Mr. POAGE. I am just trying to get this clear. I thought that we had 22 identical bills here.

Mr. McLAIN. You will notice in our testimony that we have presented that we said there were some minor variances in these bills.

Mr. POAGE. There is no objection to that. I just wanted to get it clear.

Mr. McLAIN. That is right. We have never taken the position that anybody who introduces a bill for us has to introduce it identically the way we presented it to him.

Mr. POAGE. Thank you, Mr. McLain.

(The following statement was also submitted to the subcommittees:)

STATEMENT OF HON. JOHN B. ANDERSON, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF ILLINOIS

Mr. Chairman and members of the subcommittee, I am delighted to have this opportunity to present for your consideration this statement in support of my bill, H.R. 3138, to adjust wheat and feed grain production, to establish a cropland retirement program, and for other purposes.

Basically, my bill would endeavor to bring wheat and feed grain supplies into line with current demand as well as establishing a cropland retirement system to help achieve this objective. I am confident that my proposal, if adopted, would go far in creating conditions whereby farmers may earn and get a high per family real income in a manner which will preserve freedom of opportunity, as well as improving our farmers' ability to build markets at home and abroad.

I am pleased to state to the committee that I introduced this bill to fulfill a pledge that I made after meeting with farmer representatives from every one of the six counties of my congressional district.

I would like to make the observation at this point that despite the governmental farm programs of recent times, the farmer of today is confronted with a worsening economic situation. We must take a cold, hard look at the problems involved. This year the present feed grain and wheat programs expire. Let us not make the same mistakes of the past. We ought to keep in mind that over the past 4 years, total farm debt is up \$10 billion; 2.1 million farm people have left the land and 376,000 farms have disappeared since 1960. Average farm income is somewhere around \$1,400 per person. Taxpayers have an investment in excess of \$7 billion in surplus farm commodities. The cost-price squeeze is worse than ever. In 1963 the parity ratio dropped to 78. This was the lowest it has ever been since 1939. In the fall of 1964 it hit a low of 74.

Now let us make a comparative observation of what is happening in our neighboring country of Canada where they have had the sense not to be caught in the same trap that so many of our own farmers have found themselves because of misleading promises and bad farm programs that have not done what they were supposed to do. The answer does not lie in regimentation and further control. These were tried and failed. And certainly we should not pull the rug out from under our farmers. However, we must face up to the fact that the farm sector of our economy has not kept pace with the tremendous strides and economic growth in the private sector of our economy.

In other words, when we recite the above dismal facts that confront our own farmers and then look to our neighbors to the north of us where we see the Canadians selling so much wheat and grain in the international marketplace that they have to plant wheat from fence to fence, I would strongly suggest that we had better not go on continuing to make the same grave mistakes of the past.

Certainly, we must have a better wheat program and one which would be more acceptable to the farmers than the present program under which only 35.4 percent of all wheat farmers are participating.

Also, if Government sales policies were changed, there is no question but that the market price for grains would be strengthened. In this connection, I propose in my bill that farmers be protected against competition from release of Commodity Credit Corporation surplus stocks of wheat and feed grains. Release of CCC stocks should not be at less than 125 percent of the loan rate plus carrying charges. Such a provision is imperative to protect our farmers from any sharp practices by the Secretary of Agriculture, including dumping of CCC stocks

built up under unsound programs in the past. Many farmers have complained bitterly about dumping practices of the Secretary of Agriculture and the resultant coercive forces thus available to the Secretary from misuse of his authority.

The key to the entire bill which makes it attractive is that it preserves the opportunity for each farmer to make his own decisions. It provides for needed adjustments in resource use without forcing every farmer to retire a part of his farm without regard to his individual problems or situation. It uses price supports to encourage orderly marketing and orderly adjustments in production rather than to fix prices. It demonstrates our sincerity to maintain our partnership with the farmer and his willingness to do all that we can to assist him and preserve his role as a bulwark of our society.

This proposal would give producers of all commodities an opportunity to participate in the cropland retirement program. It would minimize the likelihood that it would have any adverse effects on individual counties or communities. To make certain that no area would be affected in an adverse manner, it would direct the Secretary of Agriculture to place a maximum limitation on the percentage of total cropland which could be retired in any one State or county.

Mr. POAGE. If there is nothing further—I do not know when we will have another meeting of the subcommittees—but Mr. Purcell will be back the day after tomorrow, I believe, and he may want to have a meeting of the Wheat Subcommittee separate from the Feed Grain and Livestock Subcommittee.

The committee will stand adjourned subject to the call of the Chair.

(Whereupon, at 12:05 p.m. the subcommittees adjourned subject to the call of the Chair.)

WHEAT AND FEED GRAINS

THURSDAY, APRIL 8, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FEED GRAINS,
AND THE SUBCOMMITTEE ON WHEAT OF
THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittees met at 10 a.m., pursuant to recess, in room 1310 Longworth House Office Building, Hon. W. R. Poage (chairman of the Subcommittee on Livestock and Feed Grains) presiding.

Present: Representatives Poage, Olson, Foley, Redlin, Bandstra, Greigg, Callan, Belcher, Quie, Findley and Dole.

Also present: Robert C. Bruce, assistant counsel; and Martha Hannah, staff.

Mr. Poage (presiding). The subcommittees will please come to order.

We are met this morning to again consider the wheat and feed grain provisions of the proposed general farm legislation.

The Department has explained their views to us in the past and we have heard from various interested groups in the past, but since those hearings there has been a change in the situation inasmuch as the President has sent a special bill to the Speaker which was introduced by Chairman Cooley. It is before us as H.R. 7097.

I have asked the Department here this morning for the purpose of explaining any changes in the situation since the last time they were before us, and to explain any new matter that is suggested in this proposed new bill. We are going to ask the Department to give us this information but, first, I want to mention to the members that, again, it was not my intention to preside this morning. I expected Mr. Purcell would preside. I saw him earlier this morning, and he informed me that he could not be present at the beginning of the hearing. He has other matters that he has to take care of and I hope that he will be in later.

(H.R. 7097 and summary and section-by-section analysis of H.R. 7097 follow:)

[H.R. 7097, 89th Cong., 1st sess.]

A BILL To maintain farm income, to stabilize prices and assure adequate supplies of agricultural commodities, to reduce surpluses, lower Government costs and promote foreign trade, to afford greater economic opportunity in rural areas, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Food and Agriculture Act of 1965".

TITLE I—WHEAT

SEC. 101. Effective beginning with the crop planted for harvest in the calendar year 1966, the Agricultural Adjustment Act of 1938, as amended, is amended as follows:

(1) Section 332 is amended by changing item (iv) in subsection (b) to read: "will be utilized during such marketing year in the United States as livestock (including poultry) feed, excluding the estimated quantity of wheat which will be utilized for such purpose as a result of the substitution of wheat for feed grains under section 328 of the Food and Agriculture Act of 1962" and by adding the following new subsection:

"(d) Notwithstanding any other provision of this Act, the Secretary shall not proclaim a national marketing quota for the crops of wheat planted for harvest in the calendar years 1966 and 1967, and farm marketing quotas shall not be in effect for such crops of wheat."

(2) Section 333 is amended to read as follows: "The Secretary shall proclaim a national acreage allotment for each crop of wheat. The amount of the national acreage allotment for any crop of wheat shall be the number of acres which the Secretary determines on the basis of the projected national yield and expected underplantings (acreage other than that not harvested because of program incentives) of farm acreage allotments will produce an amount of wheat equal to the national marketing quota for wheat for the marketing year for such crop or, if a national marketing quota was not proclaimed, the quota which would have been determined if one had been proclaimed. The Secretary may, in his discretion, adjust such national acreage allotment as he determines necessary to assure the maintenance of adequate but not excessive stocks in the United States."

(3) Subsection (a) of section 334 is amended to read as follows:

"(a) The national allotment for wheat, less a reserve of not to exceed one per centum thereof for apportionment as provided in this subsection and less the special acreage reserve provided for in this subsection, shall be apportioned by the Secretary among the States on the basis of the preceding year's allotment for each such State, including for 1966 the increased acreage in the State allotted for 1965 under section 335, adjusted to the extent deemed necessary by the Secretary to establish a fair and equitable apportionment base for each State, taking into consideration established crop-rotation practices, estimated decrease in farm allotments because of loss of history, and other relevant factors. The reserve acreage set aside herein for apportionment by the Secretary shall be used to make allotments to counties in addition to the county allotments made under subsection (b) of this section, on the basis of the relative needs of counties for additional allotments because of reclamation and other new areas coming into production of wheat. There also shall be made available a special acreage reserve of not in excess of one million acres as determined by the Secretary to be desirable for the purposes hereof which shall be in addition to the national acreage reserve provided for in this subsection. Such special acreage reserve shall be made available to the States to make additional allotments to counties on the basis of the relative needs of counties, as determined by the Secretary, for additional allotments to make adjustments in the allotments on old wheat farms (i.e., farms on which wheat has been seeded or regarded as seeded to one or more of the three crops immediately preceding the crop for which the allotment is established) on which the ratio of wheat acreage allotment to cropland on the farm is less than one-half the average ratio of wheat acreage allotment to cropland on old wheat farms in the county. Such adjustments shall not provide an allotment for any farm which would result in an allotment-cropland ratio for the farm in excess of one-half of such county average ratio and the total of such adjustments in any county shall not exceed the acreage made available therefor in the county. Such apportionment from the special acreage reserve shall be made only to counties where wheat is a major income-producing crop, only to farms on which there is limited opportunity for the production of an alternative income-producing crop, and only if an efficient farming operation on the farm requires the allotment of additional acreage from the special acreage reserve. For the purpose of making adjustments hereunder the cropland on the farm shall not include any land developed as cropland subsequent to the 1963 crop year."

(4) Subsection (b) of section 334 is amended to read as follows:

"(b) The State acreage allotment for wheat, less a reserve of not to exceed 3 per centum thereof for apportionment as provided in subsection (c) of this section, shall be apportioned by the Secretary among the counties in the State, on the basis of the preceding year's wheat allotment in each such county, including for 1966 the increased acreage in the county allotted for 1965 pursuant to section 335, adjusted to the extent deemed necessary by the Secretary in order to establish a fair and equitable apportionment base for each county, taking into consideration established crop-rotation practices, estimated decrease in farm allotments because of loss of history, and other relevant factors."

(5) Subsection (c) of section 334 is amended by adding new paragraphs (3) and (4) to read as follows:

“(3) Notwithstanding the provisions of paragraph (1) of this subsection, the past acreage of wheat for 1966 and any subsequent year shall be the acreage of wheat planted, plus the acreage regarded as planted, for harvest as grain on the farm which is not in excess of the farm acreage allotment.

“(4) Notwithstanding any other provision of this subsection (c), the farm acreage allotment for the 1966 and any subsequent crop of wheat shall be established for each old farm by apportioning the county wheat acreage allotment among farms in the county on which wheat has been planted, or is considered to have been planted, for harvest as grain in any one of the three years immediately preceding the year for which allotments are determined on the basis of past acreage of wheat and the farm acreage allotment for the year immediately preceding the year for which the allotment is being established, adjusted as hereinafter provided. For purposes of this paragraph, the acreage allotment for the immediately preceding year may be adjusted to reflect established crop-rotation practices, may be adjusted downward to reflect a reduction in the tillable acreage on the farm, and may be adjusted to reflect such other factors as the Secretary determines should be considered for the purpose of establishing a fair and equitable allotment: *Provided*, That (i) for purposes of computing the 1966 allotment for any farm not in compliance with its 1964 farm acreage allotment, the 1965 acreage allotment shall be reduced by 7 per centum; (ii) for the purposes of computing the allotment for any year, the acreage allotment for the farm for the immediately preceding year shall be decreased by 7 per centum if for the year immediately preceding the year for which such reduction is made neither a voluntary diversion program nor a certificate program was in effect and there was noncompliance with the farm acreage allotment for such year; and (iii) for purposes of clause (ii), any farm on which the entire amount of farm marketing excess is delivered to the Secretary, stored, or adjusted to zero in accordance with applicable regulations to avoid or postpone payment of the penalty when farm marketing quotas are in effect, shall be considered in compliance with the allotment, but if any part of the amount of wheat so stored is later depleted and penalty becomes due by reason of such depletion, the allotment for such farm next computed after determination of such depletion shall be reduced by reducing the allotment for the immediately preceding year by 7 per centum.”

(6) Subsection (d) of section 334 is repealed.

(7) Subsection (g) of section 334 is amended by striking out the language “except as prescribed in the provisos to the first sentence of subsections (a) and (b), respectively, of this section” in the first sentence.

(8) Section 335 is amended by adding at the end thereof the following: “This section shall not be applicable to the crops planted for harvest in 1966 and subsequent years.”

(9) Section 339(b) is amended (1) by striking out “1964 and 1965 crops of wheat” and substituting “crops of wheat planted for harvest in the calendar years 1964 through 1967”, (2) by striking out of the first sentence “payments may be made in amounts not in excess of 50 per centum of the estimated basic county support rate for wheat not accompanied by marketing certificates on the normal production of the acreage diverted taking into account the income objectives of the Act, determined by the Secretary to be fair and reasonable with respect to acreage diverted pursuant to subsection (a) of this section” and substituting “payments may be made with respect to acreage diverted at such rate or rates as the Secretary determines will provide producers with a fair and reasonable return for the acreage diverted, taking into consideration the loss of production on such acreage based on the projected farm yield, any savings in cost which result from such diversion, the incentive necessary to obtain participation in the program, and the income objectives of the Act”, and (3) by striking out of the third sentence “20 per centum of the farm acreage allotment” and “fifteen acres” and substituting “50 per centum of the farm acreage allotment” and “twenty-five acres”, respectively.

(10) Section 339(e) is amended to read as follows: “The Secretary may permit all or any part of the diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, soybeans and flax, if he determines that such production of the commodity is needed to provide an adequate supply, is not likely to increase the cost of the price support program and will not adversely affect farm income, subject to the condition that payment with respect to diverted acreage devoted to any such crop shall be at a rate deter-

mined by the Secretary to be fair and reasonable taking into consideration the use of such acreage for the production of such crops: *Provided*, That in no event shall the payment exceed one-half the rate which otherwise would be applicable if such acreage were devoted to conservation uses."

(11) Section 377 is amended by deleting from the first sentence the language in parentheses and by changing the colon before the first proviso of such sentence to a period and striking out the remainder of such sentence.

(12) Section 379c is amended by adding the following new subsection:

"(e) Notwithstanding any other provision of law, the amount of certificates issued with respect to any farm may be adjusted by the Secretary for failure of a producer to comply fully with the terms and conditions of the program formulated under this subtitle."

SEC. 102. Effective only with respect to the crops of wheat planted for harvest in the calendar years 1966 and 1967, and the marketing years for such crops, section 379b is amended to read as follows:

"SEC. 379b. A wheat marketing allocation program as provided in this subtitle shall be in effect for the marketing years for the crops planted for harvest in the calendar years 1966 and 1967. Whenever a wheat marketing allocation program is in effect for any marketing year the Secretary shall determine (1) the wheat marketing allocation for such year which shall be (i) the amount of wheat he estimates will be used during such year for food products for consumption in the United States and (ii) that portion of the amount of wheat which he estimates will be exported in the form of wheat or products thereof during the marketing year on which the Secretary determines that marketing certificates shall be issued to producers in order to achieve, insofar as practicable, the price and income objectives of this subtitle, and (2) the national allocation percentage for such year which shall be the percentage which the national marketing allocation is of the amount of the national marketing quota for wheat that would be determined for such marketing year if a national marketing quota for such year had been proclaimed less the expected production on the acreage allotments for farms which will not be in compliance with the requirements of the program. Each farm shall receive a wheat marketing allocation for such marketing year equal to the number of bushels obtained by multiplying the number of acres in the farm acreage allotment for wheat by the projected farm yield, and multiplying the resulting number of bushels by the national allocation percentage."

SEC. 103. Effective beginning with the 1968 crop, section 379b is amended by striking out "normal yield of wheat for the farm as determined by the Secretary" and substituting "projected farm yield".

SEC. 104. (a) Effective upon the enactment of this Act, section 379(b) is amended by striking out the third sentence and substituting the following: "The Secretary may exempt from the requirements of this subsection wheat exported for donation abroad and other noncommercial exports of wheat, wheat processed for use on the farm where grown, wheat produced by a State or agency thereof and processed for use by the State or agency thereof, wheat processed for donation, and wheat processed for uses determined by the Secretary to be noncommercial. Such exemptions may be made applicable with respect to any wheat processed or exported beginning July 1, 1964. There shall be exempt from the requirements of this subsection beverage distilled from wheat prior to July 1, 1964. A beverage distilled from wheat after July 1, 1964, shall be deemed to be removed for sale or consumption at the time it is placed in barrels for aging. Wheat shipped to a Canadian port for storage in bond, or storage under a similar arrangement, and subsequent exportation, shall be deemed to have been exported for purposes of this subsection when it is exported from the Canadian port."

(b) Section 379d(d) is amended to read as follows:

"(d) As used in this subtitle, the term 'food products' means any product composed wholly or partly of wheat to be used for human consumption, including beverage, as determined by the Secretary."

This subsection shall be effective as to food products sold, or removed for sale or consumption on or after sixty days following enactment of this Act, unless the Secretary shall by regulation designate an earlier effective date within such sixty-day period.

SEC. 105. The Agricultural Act of 1964 is amended as follows:

(1) Amendment (7) of section 202 is amended by striking out "1964 and 1965" and substituting "the calendar years 1964 through 1967".

(2) Amendment (13) of section 202 is amended by striking out "only with respect to the crop planted for harvest in the calendar year 1965" and substi-

tuting "with respect to the crops planted for harvest in the calendar years 1965 through 1967".

(3) Section 204 is amended by striking out "1964 and 1965" and substituting "1964 through 1967".

SEC. 106. Effective beginning with the 1966 crop, section 107 of the Agricultural Act of 1949, as amended, is amended to read as follows:

"SEC. 107. Notwithstanding the provisions of section 101 of this Act, beginning with the 1966 crop—

"(1) Whenever a wheat marketing allocation program is in effect, (a) price support for wheat accompanied by domestic certificates shall be at such level, not less than 65 per centum or more than 100 per centum of the parity price therefor, as the Secretary determines, (b) price support for wheat accompanied by export certificates shall be at such level, not in excess of the parity price therefor, as the Secretary determines, and (c) price support for wheat not accompanied by marketing certificates shall be at such level, not in excess of the parity price therefor, as the Secretary determines appropriate, taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains.

"(2) Whenever a wheat marketing allocation program is not in effect, the level of price support for any crop of wheat for which a national marketing quota is not proclaimed or for which marketing quotas have been disapproved by producers shall be as provided in section 101.

"(3) A 'cooperator' with respect to any crop of wheat produced on a farm shall be a producer who (i) does not knowingly exceed (A) the farm acreage allotment for wheat on the farm or (B) except as the Secretary may by regulation prescribe, the farm acreage allotment for wheat on any other farm on which the producer shares in the production of wheat, and (ii) complies with the land-use requirements of section 339 of the Agricultural Adjustment Act of 1938, as amended, to the extent prescribed by the Secretary. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty, but the producer shall not be eligible to receive price support on such marketing excess. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the production on the acreage in excess of the farm acreage allotment is stored pursuant to the provisions of section 379c(b), but the producer shall not be eligible to receive price support on the wheat so stored."

SEC. 107. Effective beginning with the crop planted for harvest in the calendar year 1966, section 339(a) of the Agricultural Adjustment Act of 1938, as amended, is amended by inserting after the words "national acreage allotment", wherever they appear, the following: "(less an acreage equal to the increased acreage allotted for 1965 pursuant to section 335)".

SEC. 108. Effective beginning with the crop planted for harvest in the calendar year 1966, section 379c(a) of the Agricultural Adjustment Act of 1938, as amended, is amended by amending the third sentence to read as follows: "The Secretary shall provide for the sharing of wheat marketing certificates among producers on the farm on a fair and equitable basis.", and by adding at the end thereof the following: "An acreage on the farm not planted to wheat because of drought, flood, or other natural disaster shall be deemed to be an actual acreage of wheat planted for harvest for purposes of this subsection."

SEC. 109. Section 301(b) of the Agricultural Adjustment Act of 1938, as amended, is amended as follows:

(1) Paragraph (8) is amended by inserting "(A)" after "(8)" and adding the following new subparagraph:

"(B) 'Projected national yield' as applied to any crop of rice or wheat shall be determined on the basis of the national yield per harvested acre of the commodity during each of the five calendar years immediately preceding the year in which such projected national yield is determined, adjusted for abnormal weather conditions affecting such yield, for trends in yields and for any significant changes in production practices."

(2) Paragraph (13) is amended by adding the following new subparagraphs:

"(J) 'Projected county yield' for any crop of rice or wheat shall be determined on the basis of the yield per harvested acre of such crop in the county during each of the five calendar years immediately preceding the year in which such projected county yield is determined, adjusted for abnormal weather conditions

affecting such yield, for trends in yields and for any significant changes in production practices.

“(K) ‘Projected farm yield’ for any crop of rice or wheat shall be determined on the basis of the yield per harvested acre of such crop on the farm during each of the three calendar years immediately preceding the year in which such projected farm yield is determined, adjusted for abnormal weather conditions affecting such yield, for trends in yields and for any significant changes in production practices.”

SEC. 110. (a) Section 379c(b) of the Agricultural Adjustment Act of 1938, as amended, is amended, effective beginning with the 1966 crop, by striking out of the fifth sentence the words “normal yield of wheat per acre established for the farm” and substituting therefore the words “projected farm yield”.

(b) Section 379i of the Agricultural Adjustment Act of 1938, as amended, is amended, effective as of the effective date of the original enactment of the section, by inserting in subsections (a) and (b) after the word “who”, wherever it appears, the word “knowingly”.

SEC. 111. (a) Effective beginning with the crop planted for harvest in 1966, paragraph (9) of section 301 (b) of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows:

“(9) ‘Normal production’ as applied to any number of acres of rice or wheat means the projected farm yield times such number of acres and, as applied to any number of acres of cotton, means the normal yield for the farm times such number of acres.”

(b) Public Law 74, Seventy-seventh Congress, as amended, is amended by changing the words “normal yield of wheat per acre established for the farm” in paragraph (1) to the words “projected farm yield”.

TITLE II—FEED GRAINS

SEC. 201. Section 105 of the Agricultural Act of 1949, as amended, is amended by adding the following new subsection (e):

“(e) For the 1966 and 1967 crops of feed grains, the Secretary shall require as a condition of eligibility for price support on the crop of any feed grain which is included in any acreage diversion program formulated under section 16 (i) of the Soil Conservation and Domestic Allotment Act, as amended, that the producer shall participate in the diversion program to the extent prescribed by the Secretary, and, if no diversion program is in effect for any crop, he may require as a condition of eligibility for price support on such crop of feed grains that the producer shall not exceed his feed grain base. In addition to price support provided under subsections (a) and (b) of this section, which shall be made available through loans and purchases, for any feed grain included in the acreage diversion program, a payment-in-kind may be made available to producers in such amount or amounts as the Secretary determines desirable to assure that the benefits of the price support and diversion programs inure primarily to those producers who cooperate in reducing their acreages of feed grains, and to take into account the extent of participation by the producer. Such payments-in-kind shall be made on such part of the acreage of such feed grain planted on the farm for harvest as the Secretary determines desirable to effectuate the purposes of the program: *Provided*, That for purposes of such payments, the Secretary may permit producers of feed grains to have acreage devoted to soybeans considered as devoted to the production of feed grains to such extent and subject to such terms and conditions as the Secretary determines will not impair the effective operation of the price support program. The Secretary may make not to exceed 50 per centum of any payments hereunder to producers in advance of determination of preformance. Payment-in-kind shall be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for feed grains (such feed grains to be valued by the Secretary at not less than the current support price made available through loans and purchases, plus reasonable carrying charges) in accordance with regulations prescribed by the Secretary and, notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates. The Secretary shall provide for the sharing of such certificates among producers on the farm on a fair and equitable basis. If the operator of the farm elects to participate in the acreage diversion program, price support for feed grains included in the program shall be made available to the producers on such farm only if such producers divert from the production of such feed

grains, in accordance with the provisions of such program, an acreage on the farm equal to the number of acres which such operator agrees to divert, and the agreement shall so provide. Notwithstanding any other provision of law, payments in kind under this subsection (e) and subsection (d) of this section may be adjusted by the Secretary for failure of a producer to comply fully with the terms and conditions of the programs formulated under such subsections and section 16 of the Soil Conservation and Domestic Allotment Act, as amended."

SEC. 202. Section 16 of the Soil Conservation and Domestic Allotment Act, as amended, is amended by adding the following new subsection:

"(i) Notwithstanding any other provision of law—

"(1) For the 1966 and 1967 crops of feed grains, if the Secretary determines that the total supply of feed grains will, in the absence of an acreage diversion program, likely be excessive, taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices of feed grains and to meet any national emergency, he may formulate and carry out an acreage diversion program for feed grains, without regard to provisions which would be applicable to the regular agricultural conservation program, under which, subject to such terms and conditions as the Secretary determines, conservation payments shall be made to producers who divert acreage from the production of feed grains to an approved conservation use and increase their average acreage of cropland devoted in 1959 and 1960 to designated soil-conserving crops or practices including summer fallow and idle land by an equal amount. Payments shall be made at such rate or rates as the Secretary determines will provide producers with a fair and reasonable return for the acreage diverted, taking into consideration the loss of production on such acreage, any savings in cost which result from such diversion, the incentive necessary to achieve the acreage reduction goal, and the payments in kind made available under section 105(e) of the Agricultural Act of 1949, as amended. Notwithstanding the foregoing provisions, the Secretary may permit all or any part of such diverted acreage to be devoted to the production of guar, soybeans, sesame, safflower, sunflower, castor beans, mustard seed and flax, if he determines that such production of the commodity is needed to provide an adequate supply, is not likely to increase the cost of the price support program and will not adversely affect farm income subject to the condition that payment with respect to diverted acreage devoted to any such crop shall be at a rate determined by the Secretary to be fair and reasonable, taking into consideration the use of such acreage for the production of such crops, but in no event shall the payment exceed one-half the rate which otherwise would be applicable if such acreage were devoted to conservation uses. The term 'feed grains' means corn, grain sorghums, and, if designated by the Secretary, barley. Such feed grain diversion program shall require the producer to take such measures as the Secretary may deem appropriate to keep such diverted acreage free from erosion, insects, weeds, and rodents. The acreage eligible for participation in the program shall be such acreage (not to exceed 50 per centum of the average acreage on the farm devoted to feed grains in the crop years 1959 and 1960 or twenty-five acres, whichever is greater) as the Secretary determines necessary to achieve the acreage reduction goal for the crop. Payments shall be made in kind. The acreage of wheat produced on the farm during the crop years 1959, 1960, and 1961, pursuant to the exemption provided in section 335(f) of the Agricultural Adjustment Act of 1938, as amended, prior to its repeal by the Food and Agriculture Act of 1962, in excess of the small farm base acreage for wheat established under section 335 of the Agricultural Adjustment Act of 1938, as amended, may be taken into consideration in establishing the feed grain base acreage for the farm. The Secretary may make such adjustments in acreage as he determines necessary to correct for abnormal factors affecting production, and to give due consideration to tillable acreage, crop-rotation practices, types of soil, soil and water conservation measures, and topography. Notwithstanding any other provision of this subsection (i) (1), the Secretary may, upon unanimous request of the State committee established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act, as amended, adjust the feed grain bases for farms within any State or county to the extent he determines such adjustment to be necessary in order to establish fair and equitable feed grain bases for farms within such State

or county. The Secretary may make not to exceed 50 per centum of any payments to producers in advance of determination of performance.

“(2) Notwithstanding any other provision of this subsection, not to exceed 1 per centum of the estimated total feed grain basis for all farms in a State for any year may be reserved from the feed grain bases established for farms in the State for apportionment to farms on which there were no acreages devoted to feed grains in the crop years 1959 and 1960 on the basis of the following factors: Suitability of the land for the production of feed grains, the past experience of the farm operator in the production of feed grains, the extent to which the farm operator is dependent on income from farming for his livelihood, the production of feed grains on other farms owned, operated, or controlled by the farm operator, and such other factors as the Secretary determines should be considered for the purpose of establishing fair and equitable feed grain bases. An acreage equal to the feed grain base so established for each farm shall be deemed to have been devoted to feed grains on the farm in each of the crop years 1959 and 1960 for purposes of this subsection except that producers on such farm shall not be eligible for conservation payments for the first year for which the feed grain base is established.

“(3) There are hereby authorized to be appropriated such amounts as may be necessary to enable the Secretary to carry out this section 16(i).

“(4) The Secretary shall provide by regulations for the sharing of payments under this subsection among producers on the farm on a fair and equitable basis and in keeping with existing contracts.

“(5) Payments in kind shall be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for feed grains in accordance with regulations prescribed by the Secretary and, notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates. Feed grains with which Commodity Credit Corporation redeems certificates pursuant to this paragraph shall be valued at not less than the current support price made available through loans and purchases, plus reasonable carrying charges.

“(6) Notwithstanding any other provision of law, the Secretary may, by mutual agreement with the producer, terminate or modify any agreement previously entered into pursuant to this subsection if he determines such action necessary because of an emergency created by drought or other disaster, or in order to prevent or alleviate a shortage in the supply of feed grains.”

SEC. 203. Section 326 of the Food and Agriculture Act of 1962, as amended, is amended by deleting the language beginning with “the requirements” and ending with “Agricultural Act of 1961, and” and substituting therefor “the requirements of any program under which price support is extended or payments are made to farmers, and price support may be extended or”.

TITLE III—RICE¹

SEC. 301. The Agricultural Adjustment Act of 1938, as amended, is amended by striking out sections 380a through 380p and substituting the following:

“SEC. 380a. The movement of rice from producer to consumer is preponderantly in interstate and foreign commerce, and the small quantity of rice which does not move in interstate or foreign commerce affects such commerce. Unreasonably low prices of rice to producers impair their purchasing power for nonagricultural products and place them in a position of serious disparity with other industrial groups. The conditions affecting the production of rice are such that without Federal assistance, producers cannot effectively prevent disastrously low prices for rice. It is necessary in order to assist rice producers in obtaining fair prices, to regulate the price of rice in the manner provided in this subtitle.

“RICE MARKETING ALLOCATION

“SEC. 380b. If marketing quotas are in effect for rice for the 1966 or 1967 crop, a rice marketing allocation program for the marketing year for such crop shall be in effect as provided in this subtitle. Whenever a rice marketing alloca-

¹ Hearings on Title III—Rice were held by the Subcommittee on Oilseeds and Rice on May 11, 12, and 13, 1965. “Rice—Serial I.”

tion program is in effect for any marketing year, the Secretary shall determine (1) the rice marketing allocation for such year which shall be the amount of rice which in determining the national acreage allotment for such year he estimated would be used for domestic consumption except for seed, and (2) the national allocation percentage which shall be the percentage which the national marketing allocation is of the amount of rice determined by multiplying the national acreage allotment by the projected national yield. Each farm shall receive a rice marketing allocation for such marketing year equal to the number of hundredweights obtained by multiplying the number of acres in the farm acreage allotment for rice by the projected farm yield of rice, and multiplying the resulting number of hundredweights by the allocation percentages established by the Secretary within the ranges prescribed in the schedule below: *Provided*, That in any State or administrative area in which farm rice acreage allotments are determined on the basis of past production of rice by the producers on the farm, each producer shall receive a rice marketing allocation determined by multiplying the producer's rice acreage allotment for such State or area by his projected yield of rice, as determined by the Secretary, and by multiplying the result of such allocation percentages.

Estimated production on allotted acres
(allotment multiplied by projected
yield):

Allocation percentage

First 500 hundredweights and less_	Not less than national allocation percentage or more than 55 per centum.
501 hundredweights to 1,500 hundredweights, inclusive.	Not less than national allocation percentage or more than 45 per centum.
More than 1,500 hundredweights----	National allocation percentage.

The additional rice marketing certificates issued to producers as a result of using allocation percentages in excess of the national allocation percentage shall be financed by the Commodity Credit Corporation. The acreage allotment referred to in this section shall be the acreage allotment established under section 353(b) before any of such allotment is voluntarily surrendered or such allotment is increased by any reapportioned allotment as provided in section 353(e) of this Act.

"MARKETING CERTIFICATES

"SEC. 280c. (a) The Secretary shall provide for the issuance of rice marketing certificates for each marketing year for which a rice marketing allocation program is in effect for the purpose of enabling producers on any farm with respect to which certificates are issued to receive, in addition to the other proceeds from the sale of rice, an amount equal to the value of such certificates. The rice marketing certificates issued with respect to any farm for any marketing year shall be in the amount of the farm rice marketing allocation for such year, but not to exceed the actual acreage of rice planted on the farm for harvest in the calendar year in which the marketing year begins multiplied by the projected yield of rice for the farm as determined by the Secretary. The rice marketing certificates issued to any producer for any marketing year in any State or administrative area where producer allotments are established shall be in the amount of the producer's rice marketing allocation for such year, but not to exceed the actual acreage of rice planted by the producer in such State or area for harvest in the calendar year in which the marketing year begins multiplied by the producer's projected yield as determined by the Secretary. The Secretary shall provide for the sharing of rice marketing certificates among producers on the farm on a fair and equitable basis.

"(b) No producer shall be eligible to receive rice marketing certificates with respect to any farm for any marketing year in which a marketing quota penalty is assessed for any commodity on such farm.

"(c) Whenever a rice marketing allocation program is in effect for any marketing year, the Secretary shall determine and proclaim for such marketing year the face value per hundredweight of marketing certificates which shall be equal to the amount by which the level of price support for rice accompanied by certificates (certificate rice) exceeds the level of price support for rice not accompanied by certificates (noncertificate rice).

"(d) Marketing certificates and transfers thereof shall be represented by such documents, marketing cards, records, accounts, certifications, or other statements or forms as the Secretary may prescribe.

“(e) Notwithstanding any other provision of this Act, the amount of certificates issued with respect to any farm may be adjusted by the Secretary for failure of a producer to comply fully with the terms and conditions of the program formulated under this subtitle.

“MARKETING RESTRICTIONS

“SEC. 380d. (a) Marketing certificates shall be transferable only in accordance with regulations prescribed by the Secretary. Any unused certificates legally held by any person shall be purchased by Commodity Credit Corporation if tendered to the Corporation for purchase in accordance with regulations prescribed by the Secretary.

“(b) During any marketing year for which a rice marketing allocation program is in effect, all persons engaged in the processing of rice in the United States shall, prior to marketing any processed rice or removing processed rice for sale or consumption, acquire marketing certificates equivalent to the number of hundredweights of rice from which such processed rice was obtained, as determined by the Secretary of Agriculture. The requirements of this subsection shall not be applicable to rice which is both produced and processed in Puerto Rico or in any State for which no acreage allotment is established under section 353 of this Act. The Secretary may exempt from the requirements of this subsection (i) rice processed for donation, (ii) rice processed for use on the farm where grown, (iii) rice produced by a State or agency thereof and processed for use by the State or agency thereof, and (iv) rice processed for uses determined by the Secretary to be noncommercial. Marketing certificates shall be valid to cover only sales or removals for sale or consumption made during the marketing year with respect to which they are issued, and after being once used to cover a sale or removal for sale or consumption shall be void and shall be disposed of in accordance with regulations prescribed by the Secretary. Notwithstanding the foregoing provisions hereof, the Secretary may require marketing certificates issued for any marketing year to be acquired to cover sales or removals made on or after the date during the calendar year in which rice harvested in such calendar year begins to be marketed as determined by the Secretary even though such rice is marketed prior to the beginning of the marketing year, and marketing certificates for such marketing year shall be valid to cover sales or removals made on or after the date so determined by the Secretary.

“(c) Upon the exportation from the United States of any processed rice with respect to which certificates were acquired, the Commodity Credit Corporation shall pay to the exporter an amount equal to the value of the certificates for the rough rice equivalent of such processed rice. Such payments may be in cash or in kind, as determined by the Secretary.

“(d) Upon the giving of a bond or other undertaking satisfactory to the Secretary to secure the purchase of and payment for such marketing certificates as may be required, and subject to such regulations as he may prescribe, any person required to have marketing certificates in order to market processed rice or remove such rice for sale or consumption may be permitted to market or remove such rice without having first acquired marketing certificates.

“IMPORT RESTRICTIONS

“SEC. 380e. Each person who, on or after the beginning of the marketing year for each marketing year for which a rice marketing allocation program is in effect, imports processed rice into the United States shall acquire marketing certificates covering the rough rice equivalent of such processed rice.

“ASSISTANCE IN PURCHASE AND SALE OF MARKETING CERTIFICATES

“SEC. 380f. For the purpose of facilitating the purchase and sale of marketing certificates, the Commodity Credit Corporation is authorized to issue, buy, and sell marketing certificates in accordance with regulations prescribed by the Secretary. Such regulations may authorize the Corporation to issue and sell certificates in excess of the quantity of certificates which it purchases. Such regulations may authorize the Corporation in the sale of marketing certificates to charge, in addition to the face value thereof, an amount determined by the Secretary to be appropriate to cover estimated administrative costs in connection with the purchase and sale of the certificates and estimated interest incurred on funds of the Corporation invested in certificates purchased by it.

“AUTHORITY TO FACILITATE TRANSITION

“SEC. 380g. The Secretary is authorized to take such action as he determines to be necessary to facilitate the transition from the program currently in effect to the program provided for in this subtitle. Notwithstanding any other provision of this subtitle, such authority shall include, but shall not be limited to, the authority to exempt all or a portion of the rice in rough or processed form in the channels of trade on the effective date of the program under this subtitle from the marketing restrictions in subsection (b) of section 380d, or to sell certificates to processors covering such rice at such prices as the Secretary may determine. Any such certificates shall be issued by the Commodity Credit Corporation.

“REPORTS AND RECORDS

“SEC. 380h. This section shall apply to processors, exporters, importers, and warehousemen of rice in rough or processed form and all persons purchasing, selling, or otherwise dealing in rice marketing certificates. Any such person shall, from time to time on request of the Secretary, report to the Secretary such information and keep such records as the Secretary finds to be necessary to enable him to carry out the provisions of this subtitle. Such information shall be reported and such records shall be kept in such manner as the Secretary shall prescribe. For the purpose of ascertaining the correctness of any report made or record kept, or of obtaining information required to be furnished in any report, but not so furnished, the Secretary is hereby authorized to examine such books, papers, records, accounts, correspondence, contracts, documents, and memorandums as he has reason to believe are relevant and are within the control of such person.

“REGULATIONS

“SEC. 380i. The Secretary shall prescribe such regulations as may be necessary to carry out the provisions of this subtitle, including but not limited to regulations governing the acquisition, disposition, or handling of marketing certificates.

“DEFINITIONS

“SEC. 380j. For the purposes of this subtitle—

“(a) ‘processing of rice’ means subjecting rough rice for the first time to any process which removes the husk or hull from the rice and results in the production of processed rice.

“(b) ‘processed rice’ means ‘brown rice’ as defined in the United States Standards for Brown Rice, ‘milled rice’ as defined in the United States Standards for Milled Rice, including special grades of brown and milled rice, and such other rice as may be designated by the Secretary of Agriculture.

“(c) ‘United States’ means the several States, the District of Columbia, and the Commonwealth of Puerto Rico.

“(d) ‘rough rice equivalent’ means the quantity of rough rice normally used, as determined by the Secretary of Agriculture, in the production of a particular quantity and type of processed rice, with appropriate adjustments for broken kernels, as determined by the Secretary.

“(e) ‘import’ means to enter, or withdraw from warehouse, for consumption.”

SEC. 302. Section 379i of the Agricultural Adjustment Act of 1938, as amended, is amended (i) by inserting in subsection (a) after the words “subsection (b) of section 379(d)” the words “, subsection (b) of section 380d, or section 380e”, (ii) by inserting in subsection (b) after the words “this subtitle” the words “or subtitle E”, after the words “by section 379h” the words “and section 380”, and immediately preceding the words “marketing certificates” the words “wheat or rice” and (iii) by changing in subsection (d) the words “any marketing certificate” to read “any wheat or rice marketing certificate”.

SEC. 303. The Agricultural Act of 1949, as amended, is amended as follows:

(1) By inserting after section 107 the following new section:

“SEC. 108. Notwithstanding the provisions of section 101 of this Act, the level of price support for the crops of rice planted for harvest in the calendar years 1966 and 1967 shall be as follows:

“(1) If a rice marketing allocation program is in effect, price support for rice accompanied by marketing certificates shall be at such level, not less

than 65 per centum or more than 100 per centum of the parity price therefor as the Secretary determines; and price support for rice not accompanied by marketing certificates shall be at such level, not more than the parity price therefor, as the Secretary determines will provide orderly marketing of rice during the harvest season and will retain an adequate share of the world market for United States rice producers, taking into consideration the factors specified in section 401(b) of this Act and the price of rice in world markets.

“(2) Price supports shall be made available only to cooperators.

“(3) The level of price support for any crop of rice for which the Secretary determines that the total supply of rice for the marketing year will not exceed the normal supply or for which marketing quotas have been disapproved by producers shall be as provided in section 101.

“(4) A ‘cooperator’ with respect to any crop of rice produced on a farm shall be a producer who does not knowingly exceed (i) the farm acreage allotment for rice on the farm or (ii) except as the Secretary may by regulation prescribe, the farm acreage allotment for rice on any other farm on which the producer shares in the production of rice. If marketing quotas are not in effect for the crop of rice, a ‘cooperator’ with respect to any crop of rice produced on a farm shall be a producer who does not knowingly exceed the farm acreage allotment for rice.”

(2) By changing the period at the end of the third sentence in section 407 to a colon and adding the following: “*Provided further*, That if a rice marketing allocation program is in effect, the current support price for rice shall be the support price for rice not accompanied by marketing certificates.”

SEC. 304. Section 352 of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows effective beginning with the 1966 crop:

“SEC. 352. The national acreage allotment of rice for any calendar year shall be that acreage which the Secretary determines will, on the basis of the projected national yield and expected underplantings (acreage other than that not harvested because of program incentives) of farm acreage allotments, produce an amount of rice not less than sixty million hundredweights adequate, together with the estimated carryover from the marketing year ending in such calendar year, to make available a supply for the marketing year commencing in such calendar year equal to the estimated domestic consumption of rice for the marketing year for which the allotment is being determined, the estimated exports for such year, and an adequate carryover. Such national acreage allotment shall be proclaimed not later than December 31 of each year.”

SEC. 305. Section 353(c) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out paragraph 6.

SEC. 306. Section 353 of the Agricultural Adjustment Act of 1938, as amended, is amended by adding at the end thereof a new subsection (g) as follows:

“(g) If, beginning with the 1965 crop of rice, the owner or landlord of any farm in a State or administrative area in which rice acreage allotments are determined primarily on the basis of the past production of rice on the farm has evicted or evicts any tenant or sharecropper on his farm without just cause, or has required or requires that a tenant or sharecropper pay, in addition to the rental customarily paid in the community for similar land for rice production, a sum of money or anything or service of value, or has forced or forces a tenant or sharecropper by coercion, subterfuge, or in any manner whatsoever to vacate the farm of the owner or landlord or abandon the crop of rice produced by the tenant or share cropper on such farm without just cause, as determined in accordance with regulations issued by the Secretary, the acreage allotment next established for the farm and for each succeeding year shall be reduced as provided in such regulations: *Provided*, That if the farm acreage allotment for a crop year has been established at the time the determination under this subsection is made but rice for such year has not been planted, the rice farm acreage allotment for such year and for each succeeding year shall be reduced as provided herein.”

TITLE IV—WOOL²

SEC. 401. The National Wool Act of 1954, as amended, is amended as follows:

(1) By deleting the second sentence of section 702 and inserting in lieu thereof: “It is hereby declared to be the policy of Congress, as a measure of

² Hearings on the extension of the Wool Act were held by the subcommittee on Livestock and Feed Grains on March 4, 1965. “Extension of the Wool Act—Serial E.”

national security and in promotion of the general economic welfare, to support the price of wool in such manner and at such level as will encourage the domestic production of as much of the Nation's requirements of wool as possible at prices fair to both producers and consumers, minimize the adverse effect upon foreign trade, and not result in such an increase in lamb production as will depress lamb prices and reduce the total returns to producers from sheep production."

(2) By deleting from section 703 "March 31, 1966" and inserting in lieu thereof "December 31, 1967".

(3) Effective with respect to wool and mohair marketed after the close of the 1965 marketing year, by deleting from section 703 all of the provisions following the second sentence and substituting therefor the following: "The price for wool marketed by the producer thereof in the 1966 and 1967 marketing years shall be supported at such levels within the three ranges prescribed in the following schedule as the Secretary determines necessary to encourage production consistent with the declared policy of this title:

Quantity of wool (both shorn and pulled), grease basis, marketed by a producer:	Levels of support based on parity price on date of announcement thereof
First 2,000 pounds-----	Shall be supported at not less than 75 or more than 90 per centum of the parity price.
Next 5,000 pounds-----	Shall be supported at not less than 70 or more than 85 per centum of the parity price.
Excess over 7,000 pounds-----	Shall be supported at not less than 65 or more than 80 per centum of the parity price.

"The quantity of pulled wool marketed in the form of unshorn lambs shall be determined at the rate of four pounds of wool per hundredweight of live animals sold. The price for mohair marketed by the producer thereof in the 1966 and 1967 marketing years shall be supported at such levels as the Secretary determines are necessary to maintain approximately the same levels of support for mohair as for wool. Mohair support prices shall not deviate more than 15 per centum above or below the percentage of the parity price at which wool is supported within comparable weight ranges as determined by the Secretary. The Secretary shall, to the extent practicable, establish and announce the levels of price support for wool and mohair sufficiently in advance of each marketing year as will permit producers to plan their production for such marketing year."

TITLE V—CROPLAND ADJUSTMENT

SEC. 501. Section 107 of the Soil Bank Act, as amended, is amended as follows:

(1) By changing the word "three" in the first sentence of subsection (a) to the word "five".

(2) By deleting the word "or" immediately preceding the word "other" in paragraph (1) of subsection (a) and inserting immediately after the word "uses" a comma and the words "or practices or uses which will establish, protect and conserve open spaces, natural beauty, wildlife and recreational resources, and prevent air and water pollution".

(3) By amending paragraph (4) of subsection (a) to read as follows:

"(4) Not to graze any acreage established in protective vegetative cover prior to the expiration of the contract except pursuant to the provisions of section 103(a) (3) hereof."

(4) By changing the word "all" to "such" in each of the two places it appears in paragraph (6) (A) of subsection (a), changing the period at the end of such paragraph to a comma, and adding the following: "as the Secretary may determine to be appropriate."

(5) By amending paragraph (1) of subsection (b) to read as follows:

"(1) To bear such part of the average cost (including labor) for the county or area in which the farm is situated of establishing and maintaining vegetative cover or other uses on the designated acreage as the Secretary determines to be necessary to effectuate the purposes of this title, but not to exceed a maximum amount per acre or facility prescribed by the Secretary for the county or area; and".

(6) By adding a new sentence at the end of paragraph (2) of subsection (b) to read as follows: "The Secretary may make the annual payments for all years of the contract period upon approval of the contract or in such installments as he determines to be desirable."

(7) By striking the first sentence of subsection (d) and substituting therefor the following: "A contract shall not be terminated under paragraph (6) of subsection (a) unless the violation is one which the Secretary has prescribed by regulation to be of such nature as to defeat or substantially impair the purposes of the contract."

(8) By adding a new subsection (e) at the end thereof to read as follows:

"(e) The total acreage placed under contract in any county shall be limited to a percentage of the total eligible acreage in such county which the Secretary determines would not adversely affect the economy of the county."

SEC. 502. Section 109 of the Soil Bank Act, as amended, is amended as follows:

(1) By adding at the end of subsection (a) the following: "The Secretary is authorized to formulate and announce programs under this subtitle B and to enter into contracts thereunder with producers during the period 1965-1970 to be carried out during the period ending not later than December 31, 1979."

(2) By inserting immediately after the word "cover" in subsection (b) the following: "entered into during the five-year period 1956-1960".

(3) By deleting the words "\$450,000,000 in any calendar year" in subsection (c) and substituting therefor the following: "in excess of amounts specified from time to time in appropriation Acts."

SEC. 503. Sections 111 and 114 of the Soil Bank Act, as amended, are amended as follows:

(1) Section 111 is amended by deleting the words "water storage facilities, or other soil-, water-, wildlife-, or forest-conserving" in subsections (a) and (b) and substituting therefor the word "other".

(2) Section 114 is amended by deleting the first two words thereof and substituting therefor the words "Except as the Secretary may by regulation prescribe, no person".

SEC. 504. Section 118 of the Soil Bank Act, as amended, is amended by inserting "(a)" after "SEC. 118." and adding new subsections (b) and (c) as follows:

"(b) For the purpose of obtaining an increase in the permanent retirement of cropland to noncrop uses the Secretary may, notwithstanding any other provision of law, transfer funds appropriated for carrying out this title to any other Federal agency or to States or local governmental agencies for use in acquiring cropland for the preservation of open spaces, natural beauty, the development of wildlife and recreational facilities, and the prevention of air and water pollution.

"(c) The Secretary also is authorized to share the cost with State and local governmental agencies in the establishment of practices and uses which will establish, protect and conserve open spaces, natural beauty, wildlife and recreational resources, and prevent air and water pollution."

SEC. 505. Section 123 of the Soil Bank Act, as amended, is repealed, except that such repeal shall not abate any penalty previously incurred by a producer.

SEC. 506. (a) Notwithstanding any other provision of law, the Secretary of Agriculture may, to the extent he deems it desirable, provide by appropriate regulations for preservation of cropland, crop acreage, and allotment history applicable to acreage diverted from the production of crops in order to establish or maintain vegetative cover or other approved practices for the purpose of any Federal program under which such history is used as a basis for an allotment or other limitation or for participation in such program.

(b) Section 112 of the Soil Bank Act, as amended, and subsections (b) (3) and (4) and (e) (6) of section 16 of the Soil Conservation and Domestic Allotment Act, as amended, are repealed, except that all rights accruing thereunder to persons who entered into contracts or agreements prior to such repeal shall be preserved.

TITLE VI—TRANSFER OF ALLOTMENTS

SEC. 601. Notwithstanding any other provision of law, the Secretary, if he determines that it will not impair the effective operation of the program involved,

(1) may permit the owner and operator of any farm for which an acreage allotment, base acreage, acreage-poundage quota, or sugar proportionate share (hereinafter referred to as "allotment") is established under any Federal statute which is based in whole or in part on the history of production of commodity on the farm to sell or lease all or any part or the right to all or any part of such allotment to any other owner or operator of a farm for transfer to such farm;

(2) may permit the producer to whom an allotment has been apportioned under any Federal statute primarily on the basis of the production of a commodity by the producer to sell, lease, or transfer by devise or other means all or any part or the right to all or any part of such producer allotment to another person; and (3) may permit the owner of a farm to transfer all or any part of such allotment to any other farm owned by him: *Provided*, That (i) no allotment shall be transferred to a farm in another State or to a person for use in another State, (ii) no transfer of an allotment from a farm subject to a mortgage or other lien shall be permitted unless the transfer is agreed to by the lienholder, and (iii) no transfer of allotment shall be effective until the record thereof is filed with the county committee of the county to which such transfer is made and such committee determines that the transfer complies with the provisions of this section. The transfer of an allotment shall have the effect of transferring also the acreage history and marketing quota attributable to such allotment: *Provided*, That in case of a transfer by lease, the amount of the allotment shall be considered for purposes of determining allotments after the expiration of the lease to have been planted on the farm from which such allotment is transferred and the production pursuant to the lease and transfer shall not be taken into account in establishing allotments for years subsequent to the expiration of the lease for the farm to which such allotment is transferred. The Secretary shall prescribe regulations for the administration of this section, which shall include provisions for adjusting the size of the allotment transferred if the farm to which the allotment is transferred has a substantially higher yield per acre, reasonable limits on the size of the resulting allotments on farms to which transfers are made, and such other terms and conditions as he deems necessary. If the sale or lease occurs during a period in which the farm is covered by a conservation reserve contract, cropland conversion agreement, or other similar land utilization agreement, the rates of payment provided for in the contract or agreement of the farm from which the transfer is made shall be subject to an appropriate adjustment, but no adjustment shall be made in the contract or agreement of the farm to which the allotment is transferred.

SEC. 602. Sections 316 and 353(f) of the Agricultural Adjustment Act of 1938, as amended, are hereby repealed.

SUMMARY AND SECTION-BY-SECTION ANALYSIS OF H.R. 7097

EXECUTIVE COMMUNICATION

THE WHITE HOUSE,
Washington, D.C., April 5, 1965.

HON. JOHN W. McCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: We have set forth five basic policy objectives for our programs in agriculture and the rural community:

An abundance of food and fiber at reasonable and stable prices for the people of the United States;

A workable balance between supply and demand at lower costs to the Government;

Opportunity for the efficient family farmer to earn parity of income from farming operations;

Parity of opportunity for all rural people, including new opportunity for small farmers; and

Effective use of our agricultural resources to promote the interest of the United States and world peace through trade and aid.

The legislative proposals for farm commodity programs which are transmitted herewith have been prepared within the framework of these policy guides. We seek no banner to wave for partisan advantage; we seek to find in this most difficult area the means by which American agriculture and the family farm can share in our rich and growing economy as fully as they contribute to it.

For more than three decades, and particularly since the end of World War II, the United States has experienced a staggering revolution in the techniques of farming. Science and technology, applied to agronomy and animal husbandry, have brought the American people a greater abundance of food and fiber than the citizens of any nation in history have ever known. Prior to the Second World

War, farming productivity was increasing at only half the rate of industrial growth; but since 1945, it has increased at twice the speed of industrial growth.

As a result, food expenditures today take a smaller part of the family income than ever before. Less than \$1 of take-home pay out of every \$5 is spent for food, and the proportion continues to decline.

However, the enormous advances in agricultural efficiency have left the farmer working harder and enjoying it less. Prices for his products are 5 percent lower today than 15 years ago. Only a small fraction of our farmers earn parity of income—returns comparable to earnings for similar work and investment. Many farmers do not even earn the minimum wage.

This inadequate return to the farmer is a consequence of the revolution of abundance in agriculture. If productivity in industry had increased in the past decade at the same rate as in agriculture, the 1963 level of industrial output could have been produced with 8 million fewer workers than were actually employed.

Commodity programs are the primary instrument which the farmer and the national economy use to cushion the force of the "output revolution." So long as the advance in agricultural technology continues to outpace the growth of population at home and the markets abroad, farm commodity programs will continue to be an indispensable element of national economic policy.

Even with commodity programs, the farms which require substantially more labor than the farm family can provide have declined in number in the postwar period; only the family farm with adequate resources has grown in number and in the volume of output. All others have declined.

The sensible policy for commercial agriculture is not to do away with commodity programs, but to improve them so that agriculture will provide an opportunity to earn a parity income for that growing group of farm families on farms large enough to be efficient.

In a real sense, the legislative proposals transmitted herewith do more than modify and extend commodity programs. They seek also to apply the forces of a vigorous marketplace to the needs of commercial agriculture so that we can turn more of our attention and more of our tax dollars to revitalizing rural life and rooting out the poverty which is all too prevalent in rural America.

The proposals provide, particularly in the case of wheat and rice, that the farmer should look to the marketplace for the dollars which will bring him closer to parity of income.

There was a time when the cost of food at the farm translated nearly dollar for dollar into retail food costs. That is no longer the case. Today, when marketing charges account for nearly two-thirds of retail food prices, even a significant rise in farm prices has far less impact than do changes in nonfarm cost. A 50-cent increase in the price of a bushel of wheat, for example, will increase the cost of a loaf of bread by little more than 1 cent.

The modifications in commodity programs also take into account world markets. Price and income support programs should not prevent the American farmer from competing effectively in world markets. The market prices for commodities under the proposals would be near world levels, as are the prices for feed grains and soybeans now.

We propose to compete fairly and vigorously for the fast-growing markets in the world. From 1958 to 1964, while the dollar value of farm products sold domestically rose by less than a billion, the dollar sales of food and fiber exports increased by nearly \$2.5 billion. The new commodity proposals will help to keep us competitive in world markets, sharing fully in future growth of food and fiber trade.

We also seek to find less costly means to achieve needed adjustments in production. Thus, the proposal for a cropland adjustment program is designed to remove up to 40 million acres of cropland through long-term contracts. We now have over 55 million acres of cropland out of production annually, most of it under the year-to-year diversions features of individual commodity programs. In the first years with only 8 million acres in the program, we estimate the savings from the cropland adjustment program compared with annual programs will be about \$35 million.

The cropland adjustment program, combined with the individual commodity programs, will provide the best and least costly means of bringing production into balance with domestic needs and export opportunities. Thus, the policies for commercial agriculture contained in this legislation are so constructed that all parts acting together provide an effective means of bridging the gap between

the farmer and national prosperity while they provide all our people with continued access to food and fiber abundance.

Title I of the draft bill would extend for 2 years, with amendments, the voluntary wheat marketing certificate program enacted by the Congress last year for the 1964 and 1965 crops of wheat. This program has reduced Government costs, and has given wheat farmers added flexibility especially valuable where crop alternatives are limited. In order to provide adequate support to the incomes of wheat producers while further reducing costs to the Government and increasing our reliance on the market, the maximum level of price support which the Secretary could provide for wheat processed for use as a food in the United States would be increased from 90 to 100 percent of parity. The Secretary could permit producers voluntarily to divert up to 50 percent instead of 20 percent of their allotted acreage from production, and the Secretary would be given additional discretion in establishing diversion payment rates. Other major provisions would be continued. The wheat programs enacted in the Agricultural Act of 1962 would be inoperative until the 1968 crop.

Title II of the draft bill would extend for another 2 years the voluntary feed grain program first enacted on an emergency basis in 1961. This program has raised the income of feed grain producers, reduced surplus stocks by nearly 30 million tons, given farmers maximum flexibility of operation within a framework of price supports, and has provided needed stability for the livestock industry. The feed grain program would be amended to give the Secretary discretion to establish acreage diversion and price support payment rates at levels designed to meet the objectives of the program. In addition, the production of soybeans could be encouraged under new authority.

Title III of the draft bill would provide for 2 years for major amendments in the method of making price support available to producers of rice. The proposed marketing certificate program would follow the principle of the wheat marketing certificate program first enacted by the Congress in 1962 and reenacted in 1964, of provided substantial income support from domestic consumption, while supporting market prices near world levels. The Secretary would be authorized to provide price support through the mechanism of both loans and marketing certificates on the quantity of rice produced for the domestic market, in a range of 65 to 100 percent of parity. Price support for rice produced for export would be provided to producers only through loans. The level of price support loans would be related primarily to world market prices. Marketing certificates would be issued to farmers on a graduated scale in order to provide small producers somewhat higher average unit returns than larger producers. Provisions for acreage allotments and marketing quotas for rice which have operated for many years would remain in effect. The proposed revision in the method of supporting rice prices would make it possible to continue to support the incomes of rice growers while reducing Government expenditures and placing more reliance on the domestic market to return adequate incomes to growers. The Secretary would be authorized to take such actions as he determined to be necessary to assist the industry in making the transition from the current program to the proposed program. Existing provisions of law with regard to price supports for rice would be suspended until 1968.

Title IV of the draft bill would provide for a 2-year extension and for further amendment of the Wool Act of 1954, as amended. This act has operated successfully to help stabilize wool production and bolster incomes of wool producers. Funds are provided out of customs receipts on imported wool and wool products. Amendments are proposed which would authorize the Secretary to take into account the production and the prices of lambs in determining the level price support for wool, and would remove the present requirement that the Secretary set wool price supports at levels which would encourage the production of up to 360 million pounds of wool in the United States. In addition, provision is made for graduating incentive payments according to the quantity of wool produced in order to provide higher returns to small producers.

Title V of the draft bill would provide a long-term cropland adjustment program to supplement the annual acreage diversion programs in achieving and maintaining a supply-demand balance for farm products. It is expected that substantial savings would be realized under this program compared with annual diversion under the feed grain and wheat programs. The program is designed not only to supplement the commodity programs, but also to enable elderly farmers to retire from farming while continuing to live on their farms, to assist farmers who want to reduce their farming operations in order to shift to other employment, to conserve natural resources and add to the beauty of the countryside, and

to improve the quality of rural and urban life. This program would amend the Soil Bank Act to authorize the Secretary to enter into 5- to 10-year contracts during the period 1965-70 for the diversion of cropland to conservation uses. The Secretary could provide for such payments as would be necessary to encourage producers to enter into such contracts. Provision would be made also for the Secretary to cooperate with other Federal, State, and local agencies in permanently shifting cropland into public uses such as parks or recreational areas. Grazing or other agricultural uses of land contracted under this program would be prohibited except in case of emergencies. Local communities would be protected by a limitation on the percentage of the cropland acreage in any area that could be contracted. We are convinced that a long-term cropland adjustment program can provide not only substantial savings to the Government, and new opportunities for rural people, but also for long-range remedial action which will benefit the farm economy.

Title VI of the draft bill would give the Secretary of Agriculture authority to provide for the lease and sale of acreage allotment under the production adjustment programs of the Department of Agriculture. Such transfers would be limited to family-sized farms in the State of origin of the allotment. Small farmers who decide to stop farming or who have stopped farming can realize the value of their allotments while retaining their farms under this title. Operators of family-sized farms who wish to continue and to expand their farming operations could have the opportunity to increase their acreage of allotment crops.

We are continuing to study and to discuss with producers and the industry the means by which the cotton program can be improved as to reduce the cost of the program and the level of cotton stocks while keeping cotton competitive with other fibers and in world markets.

Enclosed is a more detailed summary of the provisions of the proposed bill. I urge that the Congress give these proposals prompt consideration.

Sincerely,

LYNDON B. JOHNSON.

SUMMARY OF PRINCIPAL PROVISIONS OF H.R. 7097

TITLE I—WHEAT

Title I would extend the voluntary wheat marketing certificate program for 2 years—1966 and 1967—with certain changes in the program features.

(1) Wheat marketing quotas would be suspended during the operation of the voluntary program.

(2) Acreage allotments would be continued for purposes of determining eligibility for price support, marketing certificates and diversion payments, but certain changes would be made to simplify the method for determining allotments. Under the new method, State, county, and farm allotments will simply be computed on the basis of the preceding year's allotment.

(3) The marketing certificate program would be similar to that in effect for 1964 and 1965 with the following changes:

(a) The number of certificates received by each farm would be based on the projected farm yield rather than the normal yield.

(b) The bill would authorize the Secretary to provide for distributing the certificates among the producers on the farm on a fair and equitable basis instead of requiring them to be distributed on the basis of the respective shares of the producers in the wheat crop.

(c) The Secretary would be authorized to adjust the amount of certificates issued with respect to any farm for failure of a producer to comply fully.

(d) "Food products" for which marketing certificates are required to be purchased by processors are redefined to mean those products composed wholly or partly of wheat to be used for human consumption, including beverage, as determined by the Secretary.

(e) The Secretary would be authorized to exempt processors from the requirement to purchase certificates for wheat produced by a State and processed for use by the State, wheat processed for donation, and wheat processed for other noncommercial uses.

(4) The diversion program for wheat could be extended for 2 years—1966 and 1967—with the following changes:

(a) The limitation of 50 percent of the price-support rate on diversion payments would be removed.

(b) The limitation on the number of acres of additional voluntary diversion would be raised from 20 percent of the farm allotment to 50 percent of the allotment.

(c) The Secretary may permit the diverted acreage to be devoted to guar, sesame, safflower, sunflower, castor beans, mustard seed, soybeans, and flax, if he determines that such production of the commodity is needed, is not likely to increase the cost of the price-support program, and will not adversely affect farm income.

(5) Price support—

(i) for wheat with domestic certificates would be between 65 and 100 percent of parity. Price support for wheat with export certificates would be at such level, not more than parity, as the Secretary determines;

(ii) for noncertificate wheat would be on the basis of competitive world prices of wheat and the feeding value of wheat in relation to feed grains.

(6) Minimum price for sales of wheat from Commodity Credit Corporation stocks would be 105 percent of loan rate, plus reasonable carrying charges, as under the program in effect for 1964 and 1965.

(7) The existing provisions of law permitting substitution of wheat and feed grains would be left in effect.

(8) After 1967, the existing provisions of law for marketing quotas, marketing certificates, and price support would again become effective.

Title I of the bill would also amend section 377 for the Agricultural Adjustment Act of 1938, as amended, to preserve the acreage allotment for the farm for any commodity in any case in which the acreage planted to the commodity is less than the allotment.

Title I would also change the marketing quota provisions on rice and wheat to provide that in computing marketing penalties, the excess production on which the penalty will be assessed will be determined on the basis of the projected farm yield instead of the normal yield. "Projected farm yield" is defined as the yield per harvested acre of such crop on the farm during each of the three calendar years immediately preceding the year in which such crop is produced, adjusted for abnormal weather conditions affecting such yield, for trends in yields and for any significant changes in production practices.

TITLE II—FEED GRAINS

Title II would extend the feed grain program for 2 years—1966 and 1967—with certain changes in the program features.

(1) Price support—

(a) If a feed grain diversion program is in effect, producers would be required, as a condition of eligibility for price support, to participate in the diversion program to the extent prescribed by the Secretary.

(i) Existing law, which would remain in effect, provides that if an acreage diversion program is in effect for feed grains, price support for corn shall be at 65 to 90 percent of parity and at comparable levels for grain sorghums, barley, oats, and rye.

(ii) A payment-in-kind, in addition to price support provided through loans and purchases, would be authorized to be made available to producers participating in the acreage diversion program. In determining the amount or amounts of the payment-in-kind, the Secretary would be authorized to take into account the extent of participation by the producer. The payment-in-kind would be made on such part of the feed grain acreage as the Secretary determines desirable to effectuate the purposes of the program. The Secretary could permit producers to have acreage devoted to soybeans considered as devoted to feed grains for purposes of payments-in-kind. The bill would authorize the Secretary to provide for distributing the payment-in-kind certificates on a fair and equitable basis instead of requiring them to be distributed on the basis of the respective shares of the producers in the feed grain crop. The Secretary would be authorized to adjust the payments-in-kind for failure to comply fully with the program.

(b) If an acreage diversion program is not in effect, existing law, which would remain in effect, provides that price support for corn shall be not less than 50 or more than 90 percent of parity as will not result in increasing Commodity Credit Corporation stocks and at comparable levels for grain sorghums, barley, oats, and rye.

(2) The feed grain acreage diversion program would be similar to that in effect for 1964 and 1965 with the following changes:

(a) The limitation on payments of 50 percent of the price-support rate would be removed.

(b) The Secretary may permit the diverted acreage to be devoted to the production of guar, soybeans, sesame, safflower, sunflower, castor beans, mustard seed, and flax, if he determines that such production of the commodity is needed, is not likely to increase the cost of the price-support program, and will not adversely affect farm income.

(c) The program would be limited to corn, grain sorghums, and, if designated by the Secretary, barley.

(d) The payment limitation of 20 percent of the fair market value with respect to acreage involved in the program would be removed.

(e) The malting barley exemption would be removed.

(3) The existing provisions of law permitting substitution of wheat and feed grains would be left in effect.

TITLE III—RICE

Title III of the bill would authorize a marketing certificate program for rice for 2 years—1966 and 1967—similar to the marketing certificate program for wheat. Marketing quotas would remain in effect.

(1) The Secretary would proclaim a national acreage allotment equal to the number of acres which the Secretary determines will, on the basis of the projected national yield and expected underplantings of farm acreage allotments, produce an amount of rice which, together with the estimated carryover, would be adequate to make available a supply equal to estimated domestic consumption, exports, and an adequate carryover. The minimum national acreage allotment would be one which would produce not less than 60 million hundredweights of rice instead of the 1,652,596 acres specified under existing law.

(2) Producers would receive a rice marketing allocation on which marketing certificates would be issued equal to the number of hundredweights obtained by multiplying the estimated production on the allotted acres by the percentage estimated by the Secretary to be the percentage of the rice crop which will be used in the United States during the marketing year except for seed. Provision is made for issuing additional certificates to be financed by Commodity Credit Corporation on the first 1,500 hundredweight of each farmer's production. Thus, small producers would receive relatively the highest returns from marketing certificates.

(3) The marketing certificates would have a value per hundredweight equal to the difference between the price support on certificate rice and noncertificate rice.

(4) Marketing certificates would be required to cover all rice processed in the United States and all processed rice imported into the United States, but the value of the certificates would be refunded on all processed rice exported from the United States. The Secretary would be authorized to exempt processors from the requirement to purchase certificates for (i) rice processed for donation, (ii) rice processed for use on the farm where grown, (iii) rice produced by a State or agency thereof and processed for use by the State or agency thereof, and (iv) rice processed for uses determined by the Secretary to be noncommercial.

(5) Commodity Credit Corporation would be authorized to buy and sell marketing certificates.

(6) The Secretary would be authorized to take such action as he determines would be necessary to facilitate the transition from the program currently in effect to the marketing certificate program.

(7) Price support—

(i) for rice with marketing certificates would be between 65 and 100 percent of parity;

(ii) for noncertificate rice would be at such level, not in excess of parity, as the Secretary determines will provide orderly marketing of rice and retain an adequate share of the world market, taking into consideration the price of rice in world markets and other factors.

(8) The minimum price for sales of rice from Commodity Credit Corporation stocks would be 105 percent of loan rate, plus reasonable carrying charges.

(9) After 1967, the existing provisions of law for acreage allotments, marketing quotas, and price support will again become effective.

Title III would also provide authority to reduce the rice acreage allotment for any farm if the farmowner or landlord evicts or otherwise mistreats a rice tenant or sharecropper on the farm.

TITLE IV—WOOL

Title IV would amend the National Wool Act to extend the period during which price support may be made thereunder beyond its present termination date of March 31, 1966, to December 31, 1967. The bill would further amend that act by deleting the presently stated policy of encouraging domestic production of 300 million pounds of shorn wool, and the requirement that the support level be such as will result in a production of 360 million pounds if such support level would not exceed 90 percent of parity, and providing in lieu thereof a new policy of supporting wool at such level as will encourage domestic production of as much of the Nation's requirements of wool as possible at prices fair to both producers and consumers, minimize the adverse effect upon foreign trade, and not result in such an increase in lamb production as will depress lamb prices and reduce the total returns to producers from sheep production. Provision is made for three graduated levels of price support based upon each producer's marketings during the marketing year. Thus, small producers would receive relatively the highest returns from price support.

TITLE V—CROPLAND ADJUSTMENT

Title V would extend the Soil Bank Act to authorize a long-term cropland adjustment program under which the Secretary would be authorized to enter into long-term agreements with producers to assist them in diverting their cropland to vegetative cover, water storage facilities, or other soil-, water-, wildlife-, or forest-conserving uses, or practices or uses for the establishment, protection, and conservation of open spaces, natural beauty, wildlife, and recreational resources, and for the prevention of air and water pollution.

The Secretary would be authorized to enter into contracts with producers during the period 1965 through 1970 to be carried out during the period ending not later than December 31, 1979. The period covered by any contract would be not less than 5 years nor more than 10 years.

Grazing would be prohibited except in the case of severe drought, flood, or other natural disaster.

In return for the producer's diverting his cropland to approved uses, the Secretary would share the cost of establishing such uses and make an annual payment to the producer for the period covered by the contract. Authority would be given to the Secretary to make the annual payments for all years of the contract upon approval of the contract or in installments.

The total acreage placed under contract in any county would be limited to a percentage of the total eligible acreage in such county as the Secretary determines would not adversely affect the economy of the county.

For the purpose of obtaining an increase in the permanent retirement of cropland to noncrop uses, the Secretary would be authorized to transfer funds appropriated for carrying out the program to any other Federal agency or to States or local governmental agencies for use in acquiring cropland for the preservation of open spaces and natural beauty, the development of wildlife and recreational facilities, and the prevention of air and water pollution.

The Secretary would also be authorized to share the cost with State and local governmental agencies in the establishment of practices and uses which will establish, protect, and conserve open spaces, natural beauty, wildlife, and recreational resources and prevent air and water pollution.

Title V would also provide authority under which the Secretary would be authorized to prescribe a uniform rule for the preservation of cropland, crop acreage, and allotment history with respect to acreage which is devoted to vegetative cover and other approved uses.

TITLE VI—TRANSFER OF ALLOTMENTS

Title VI would authorize the Secretary to permit the transfer by sale, lease, or other means of acreage allotments, base acreages, and sugar proportionate shares which have been established under Federal law, including the transfer from one farm owned by a person to another farm owned by him. The Secretary could not authorize the transfer of allotments, base acreages, and proportionate shares

unless he determined that the effective operation of the program involved would not be impaired.

No transfer would be permitted outside the State, from a farm subject to a mortgage or other lien unless agreed to by the lienholder, or until a copy of the transfer had been filed with the county committee of the county to which transferred and it was determined by the committee that it complied with the provisions of the statute.

The transfer of an allotment, base acreage, or proportionate share also would include the acreage history and marketing quota attributable thereto.

The Secretary would be required to prescribe regulations governing transfers including provisions for adjusting the size of the allotment transferred if the farm to which the allotment is transferred has a substantially higher yield, and for putting reasonable limits on the size of the resulting allotments.

If the farm from which the transfer was made was covered by a conservation reserve contract, cropland conversion agreement, or other similar land utilization agreement, the rates of payment in the contract or agreement would be appropriately adjusted, but no similar adjustment would be made for the farm to which the transfer is made.

Provisions of existing law authorizing leases of tobacco allotments and transfer of producer rice allotments would be repealed.

SECTION-BY-SECTION ANALYSIS OF H.R. 7097

TITLE I—WHEAT

Section 101.—This section contains 12 amendments to the Agricultural Adjustment Act of 1938, as amended.

Amendment (1) would amend section 332 to change one of the items making up the amount of the national marketing quota from the average amount of wheat which was used for livestock feed during 1959–60 to the amount of wheat which it is estimated will be used for livestock feed during the marketing year for which the quota is being determined, excluding the estimated amount of wheat used for such purposes as a result of wheat grown in lieu of feed grains under the substitution provision.

Amendment (1) would also suspend the proclamation of quotas on wheat for the 1966 and 1967 crops.

Amendment (2) would make the following changes in the provisions for computing the national acreage allotment. The national acreage allotment would be determined on the basis of the projected national yield instead of expected yields as under existing law. The acreage necessary to provide the increases in small farm allotments pursuant to section 335 would be added in the national acreage allotment rather than be established outside the national acreage allotment. This is a technical change to make this provision conform to the changes made by amendments (3) through (8) for computing allotments. The Secretary would be given discretionary authority under this amendment to adjust the national acreage allotment as necessary to assure adequate but not excessive stocks.

Amendments (3) through (8) would provide for the determination of State, county, and farm allotments on the basis of the preceding year's allotment. This would preserve the increases given to farms with small allotments in 1964 and 1965 pursuant to section 335. In the future, such small farm allotments would be treated the same as other allotments. The so-called Anfuso amendment under which farmers who overplant their allotments lose history would not apply in any year in which there was a voluntary diversion or certificate program.

Amendment (9) would extend the diversion program for wheat for 2 years—1966 and 1967—with some changes. The limitation of 50 percent of the price-support rate on diversion payments would be removed. The limitation on the number of acres of additional voluntary diversion would be raised from 20 percent of the farm allotment to 50 percent of the allotment. (The existing provisions of law permitting substitution of wheat and feed grains would be left in effect.)

Amendment (10) would authorize the Secretary to permit the diverted acreage to be devoted to guar, sesame, safflower, sunflower, castorbeans, mustard seed, soybeans, and flax, if he determines that such production of the commodity is needed, is not likely to increase the cost of the price-support program, and will not adversely affect farm income.

Amendment (11) would amend section 377 of the Agricultural Adjustment Act of 1938, as amended, relating to preservation of unused acreage allotments, to

provide that in any case in which the acreage planted to a commodity on a farm is less than the acreage allotment for the farm, the entire acreage allotment shall be considered as planted to such commodity for such year for the purpose of establishing future State, county, and farm acreage allotments.

Amendment (12) would authorize the Secretary to issue wheat marketing certificates to producers, with adjustments in the amount thereof, for performance rendered even though the producer failed to comply fully with the requirements of the program.

Section 102.—This section would extend the wheat marketing certificate program for 2 years—1966 and 1967. The number of certificates received by each farm would be based on the projected farm yield rather than the normal yield.

Section 103.—This section would amend the provisions applicable to the 1968 and subsequent crops to provide that the number of certificates received by each farm shall be based on the projected farm yield rather than the normal yield.

Section 104.—This section would extend to other specified situations the authority of the Secretary to exempt wheat from the requirement that processors and exporters purchase wheat marketing certificates. This section also would redefine "food products" for which marketing certificates are required to mean those products composed wholly or partly of wheat to be used for human consumption, including beverage, as determined by the Secretary.

Section 105.—Amendment (1) would extend to the 1966 and 1967 crops the provision in the present program which eliminates the land use penalty.

Amendment (2) would extend to the 1966 and 1967 crops the authority in the present program which authorizes producers who exceed their wheat allotments to store their excess wheat in accordance with regulations issued by the Secretary and be eligible for wheat marketing certificates.

Amendment (3) would extend to the 1966 and 1967 crops the provision in the present program which provides that minimum price for sales of wheat from Commodity Credit Corporation stocks would be 105 percent of loan rate, plus reasonable carrying charges.

Section 106.—This section would provide that price support for wheat with domestic certificates would be between 65 and 100 percent of parity. Price support for wheat with export certificates would be at such level, not more than parity, as the Secretary determines, and for noncertificate wheat would be on the basis of competitive world prices of wheat and the feeding value of wheat in relation to feed grains.

Section 107.—This section is a technical amendment to section 339(a) to make it conform to the amendments to the acreage allotment provisions in section 101.

Section 108.—This section would authorize the Secretary to provide for distributing the certificates among the producers on the farm on a fair and equitable basis instead of requiring them to be distributed on the basis of the respective shares of the producers in the wheat crop. This would permit taking into account the respective contributions of each producer on the farm in reducing wheat. This section also would provide that an acreage on the farm not planted to wheat because of drought, flood, or other natural disaster would be deemed to be an actual acreage of wheat planted for harvest for purposes of computing the amount of wheat marketing certificates for the farm.

Section 109.—This section contains two amendments to section 301(b) of the Agricultural Adjustment Act of 1938, as amended.

Amendment (1) would amend paragraph (8) to add a new subparagraph (B) defining the term "projected national yield" as applied to any crop of rice or wheat. The projected national yield would be determined on the basis of the national average yield of the commodity for the preceding 5 years, adjusted for abnormal weather conditions, for trends in yields, and for any significant changes in production practices. It would permit the determination of the national acreage allotment for wheat or rice on the basis of a national yield more nearly equal to the national yield which could be expected in the year for which the allotment is determined.

Amendment (2) would add subparagraphs (J) and (K) to paragraph (13). These would define "projected county yield" and "projected farm yield" for any crop of rice or wheat. The projected county yield would be determined on the basis of the yield per harvested acre for each of the immediately preceding 5 years, adjusted for abnormal weather conditions, trends in yields, and any significant changes in production practices. The projected farm yield would be

determined on the basis of the yield per harvested acre for each of the immediately preceding 3 years, adjusted for the same factors as for the projected county yield. The use of these projected yields would permit the determination of farm yields of rice and wheat more nearly equal to those expected in the year for which they would be used.

Section 110.—This section would amend the provisions of section 379c(b) relating to the storage of excess wheat to provide that, in computing the amount of wheat required to be stored, the projected farm yield shall be used in lieu of the normal yield. The section also would amend section 379i of the Agricultural Adjustment Act of 1938, as amended, relating to penalties for violations of the wheat marketing certificate program, to make it clear that the penalties are applicable only for violations committed knowingly.

Section 111.—This section contains two amendments:

Amendment (a) would redefine "normal production" as applied to wheat or rice contained in paragraph (9) of section 301(b) of the Agricultural Adjustment Act of 1938, as amended, so that, beginning in 1966, the projected farm yield would be used instead of the farm normal yield in the determination of the farm marketing quota and farm marketing excess.

Amendment (b) would amend paragraph (1) of Public Law 74, 77th Congress relating to wheat marketing quotas, so that the projected farm yield would be used instead of farm normal yield in the determination of the farm marketing quota and farm marketing excess.

TITLE II—FEED GRAINS

Section 201.—This section provides that if a feed grain diversion program is in effect, producers would be required, as a condition of eligibility for price support, to participate in the diversion program to the extent prescribed by the Secretary. Existing law, which would remain in effect, provides that if an acreage diversion program is in effect for feed grains, price support for corn shall be at 65 to 90 percent of parity and at comparable levels for grain sorghums, barley, oats, and rye. A payment-in-kind, in addition to price support provided through loans and purchases, would be authorized to be made available to producers participating in the acreage diversion program. In determining the amount or amounts of the payment-in-kind, the Secretary would be authorized to take into account the extent of participation by the producer. The payment-in-kind would be made on such part of the feed grain acreage as the Secretary determines desirable to effectuate the purposes of the program. The Secretary could permit producers participating in the diversion program to grow soybeans in lieu of feed grains and still receive the feed grain payments-in-kind. The Secretary would be authorized to provide for distributing the payment-in-kind certificates on a fair and equitable basis instead of requiring them to be distributed on the basis of the respective shares of the producers in the feed grain crop. This would permit taking into account the respective contributions of each producer on the farm in reducing feed grain. The Secretary would be authorized to make payments-in-kind, with adjustments in the amount thereof, even though there is a failure to comply fully with the program. If an acreage diversion program is not in effect, existing law provides that price support for corn shall be not less than 50 or more than 90 percent of parity as will not result in increasing Commodity Credit Corporation stocks and at comparable levels for grain sorghums, barley, oats, and rye.

Section 202.—This section provides for a feed grain acreage division program which would be similar to that in effect for 1964 and 1965 with some changes. The limitation on payments of 50 percent of the price support rate would be removed. The Secretary could permit the diverted acreage to be devoted to the production of guar, soybeans, sesame, safflower, sunflower, castorbeans, mustard seed, and flax, if he determined that such production of the commodity is needed, is not likely to increase the cost of the price support program, and will not adversely affect farm income. The program would be limited to corn, grain sorghums and, if designated by the Secretary, barley. The payment limitation of 20 percent of the fair market value with respect to acreage involved in the program would be removed. The malting barley exemption would be removed. The existing provisions of law permitting substitution of wheat and feed grains would be left in effect.

Section 203.—This section would amend section 326 of the Food and Agriculture Act of 1962, which gave the Secretary authority to pay for performance rendered in reliance on erroneous advice of authorized representatives, to make it appli-

cable to any program under which price support is extended or payments are made to farmers.

TITLE III—RICE

Section 301.—This section of the bill authorizes a marketing certificate program for rice for 2 years—1966 and 1967—similar to the marketing certificate program for wheat. The program would be in effect if marketing quotas are in effect for rice. Producers would receive a marketing allocation on which marketing certificates would be issued equal to the number of hundredweights obtained by multiplying the estimated production on the allotted acres by the national allocation percentage which is the percentage of the rice crop estimated by the Secretary that will be used in the United States during the marketing year except for seed.

Provision is made for issuing additional certificates, to be financed by Commodity Credit Corporation, on the first 1,500 hundredweight of each farmer's production. The first 500 hundredweights or less estimated to be produced on the allotted acres would receive certificates based on not less than the national allocation percentage or more than an allocation percentage of 55 percent; the next 1,000 hundredweights of production would receive certificates based on not less than the national allocation percentage or more than an allocation percentage of 45 percent; and production in excess of 1,500 hundredweights would receive certificates based on the national allocation percentage.

The rice marketing certificates issued with respect to any farm for any year could not exceed the actual acreage of rice planted for harvest multiplied by the projected yield of rice for the farm. The rice marketing certificates issued to any producer in any State or area where producer allotments are established could not exceed the actual acreage of rice planted by the producer in such State or area multiplied by the producer's projected yield. Producers would not be eligible to receive certificates with respect to any farm on which a marketing quota penalty is assessed for any commodity on the farm.

Marketing certificates would have a value per hundredweight equal to the difference between the price support on certificate rice and noncertificate rice.

Marketing certificates would be required to cover all rice processed in the United States and all processed rice imported into the United States. The value of the certificates would be refunded on all processed rice exported from the United States. The Secretary would be authorized to exempt processors from the requirement to purchase certificates for (i) rice processed for donation, (ii) rice processed for use on the farm where grown, (iii) rice produced by a State or agency thereof, and (iv) rice processed for uses determined by the Secretary to be noncommercial. Commodity Credit Corporation would be authorized to buy and sell marketing certificates.

The Secretary would be authorized to take such action as he determines would be necessary to facilitate the transition from the programs currently in effect to the marketing certificate program.

The bill authorizes the Secretary to require processors, exporters, importers, and warehousemen of rice and persons dealing in certificates to make reports and keep appropriate records. The Secretary is also authorized to prescribe such regulations as are necessary to carry out the provisions of the program.

Section 302.—This section of the bill provides the same civil forfeitures and penalties for violations of the program as are provided with respect to the marketing certificate program for wheat.

Section 303.—This section of the bill provides levels of price support for the 1966 and 1967 crops of rice. If a rice marketing allocation program is in effect, price support for rice with marketing certificates would be between 65 and 100 percent of parity, and price support for noncertificate rice would be at such level not in excess of parity as the Secretary determines will provide orderly marketing of rice and retain an adequate share of the world market, taking into consideration the price of rice in world markets and the other factors specified in section 401(b) of the price support statute. Price support would be made available only to cooperators. If marketing quotas are not in effect, price support for rice would be as provided in section 101 of the Agricultural Act of 1949.

The minimum price for sales of rice from Commodity Credit Corporation stocks would be 105 percent of the loan rate, plus reasonable carrying charges.

Section 304.—This section would amend section 352 of the Agricultural Adjustment Act of 1938 so as to change the manner of computing national acreage allotment. The existing law is changed in the following respects. The

national acreage allotment would be computed on the basis of the projected national yield instead of the national average yield. The minimum national acreage allotment would be the acreage required to produce 60 million hundredweights instead of being fixed at 1,652,596 acres. The amount to be allowed for carry-over would be "an adequate carryover" instead of 10 percent of the estimated domestic consumption and exports.

Section 305.—This section would repeal paragraph (6) of section 353(c) of the Agricultural Adjustment Act of 1938. Paragraph (6) provides that the national acreage allotment shall not be less than the acreage allotted for 1956, and that the national acreage allotment shall be apportioned among the States in the same proportion that they shared in the total acreage allotted in 1956.

Section 306.—This section would add a new subsection (g) to section 353 of the Agricultural Adjustment Act of 1938 to protect tenants and sharecroppers from eviction or other mistreatment by their landlords. In event of such eviction or mistreatment by a landlord, the Secretary could, beginning with the 1965 crop, reduce the farm acreage allotment of the landlord.

TITLE IV—WOOL

Section 401.—This section would amend the National Wool Act to extend the period during which price support may be made thereunder beyond its present termination date of March 31, 1966, to December 31, 1967. The bill would further amend that act by deleting the presently stated policy of encouraging domestic production of 300 million pounds of shorn wool, and the requirement that the support level be such as will result in a production of 360 million pounds if such support level would not exceed 90 percent of parity, and providing in lieu thereof a new policy of supporting wool at such level as will encourage domestic production of as much of the Nation's requirements of wool as possible at prices fair to both producers and consumers, minimize the adverse effect upon foreign trade, and not result in such an increase in lamb production as will depress lamb prices and reduce the total returns to producers from sheep production. Provision is made for three graduated levels of price support on wool based up on each producer's marketings during the marketing year. The first 2,000 pounds would be supported at not less than 80 or more than 90 percent of parity, the next 5,000 pounds at not less than 75 or more than 85 percent of parity, and any excess over 7,000 pounds would be supported at not less than 65 or more than 80 percent of parity. The price for mohair would be supported at such levels as the Secretary determines are necessary to maintain approximately the same levels of support for mohair as for wool. Mohair support prices would not deviate more than 15 percent above or below the percentage of the parity price at which wool is supported.

TITLE V—CROPLAND ADJUSTMENT

Title V would extend the Soil Bank Act, with certain amendments, to authorize a long-term cropland adjustment program.

Section 501.—In connection with the extension of the Soil Bank Act, this section would amend section 107 (1) to provide that the minimum contract period with producers shall be 5 years instead of 3; (2) to authorize additional practices or uses for the establishment, protection, and conservation of open spaces, natural beauty, recreational resources, and for the prevention of air and water pollution; (3) to prohibit grazing of acreage placed in the program except in the case of severe drought, flood, or other natural disaster; (4) to authorize only such forfeitures and refunds as the Secretary determines appropriate in the case of violations warranting termination of the contract (the present law requires forfeiture and refund of all payments under the contract); (5) to make it clear that the amount of cost sharing for establishing vegetative cover or other uses can be based on the average cost of establishing such practice in the county or area; (6) to authorize the Secretary to make payments in a lump sum upon approval of the contract or in such installments as he determines desirable (the present law provides only for annual payments); (7) to clarify the authority of the Secretary to prescribe by regulation violations which are of such a nature as to defeat or substantially impair the purposes of the contract; and (8) to provide that the total acreage placed under contract in any county would be limited to a percentage of the total eligible acreage in such county as the Secretary determines would not adversely affect the economy of the county.

Section 502.—This section would authorize the Secretary to enter into contracts with producers during the period 1965 through 1970 to be carried out during the period ending not later than December 31, 1979. The period covered by any contract would be not less than 5 years or more than 10 years. The calendar year limitation of \$450 million would be deleted to provide that contracts shall not be entered into which would require payments in any calendar year in excess of amounts specified in appropriation acts.

Section 503.—This section would (1) authorize the furnishing of conservation materials and services for the additional practices and uses which would be authorized under the act, and (2) provide the Secretary with discretionary authority in requiring compliance with acreage allotments as a condition of eligibility for payments under the program.

Section 504.—Under this section, the Secretary would be authorized (1) for the purpose of obtaining an increase in the permanent retirement of cropland to noncrop uses, to transfer funds appropriated for carrying out the program to any other Federal agency or to States or local governmental agencies for use in acquiring cropland for the preservation of open spaces and natural beauty, the development of wildlife and recreational facilities; and the prevention of air and water pollution; and (2) to share the cost with State and local governmental agencies in the establishment of practices and uses which will establish, protect, and conserve open spaces, natural beauty, wildlife, and recreational resources and prevent air and water pollution.

Section 505.—This section would repeal section 123 of the Soil Bank Act which provides that any producer who knowingly and willfully grazes or harvests any crop from any acreage in violation of a contract shall be subject to a civil penalty equal to 50 percent of the compensation payable for compliance with such contract for the year in which the violation occurs.

Section 506.—This section would provide authority for the Secretary to prescribe a uniform rule for the preservation of cropland, crop acreage, and allotment history with respect to acreage which is devoted to vegetative cover and other approved uses. The present provisions for preservation of history under the Soil Bank Act and the Soil Conservation and Domestic Allotment Act (Great Plains and cropland conversion programs) would be repealed, except that all rights accruing thereunder to producers with existing contracts would be preserved.

TITLE V—TRANSFER OF ALLOTMENTS

Section 601.—This section would authorize the sale or lease of acreage allotments, base acreages, acreage-poundage quotas, and sugar proportionate shares (hereinafter referred to as "allotment") whether determined on a farm or producer basis. The owner of a farm could transfer all or part of the allotment for the farm to another farm owned by him. As a prerequisite to authorization for transfer, the Secretary would have to determine that the effective operation of the program would not be impaired. No transfer would be permitted outside the State, from a farm subject to a mortgage or other lien, unless agreed to by the lienholder, or until a copy of the transfer had been filed in the county ASCS office of the county to which transferred. The transfer of an allotment, base acreage, or proportionate share would include the acreage history and marketing quota attributable thereto. In the case of a transfer by lease, the allotment leased would, for purposes of determining allotments after expiration of the lease, be considered to have been planted on the farm from which leased. The Secretary could prescribe regulations for adjusting the size of the allotment transferred if the farm to which transferred had a substantially higher yield. He could also place reasonable limits on the size of resulting allotments on farms to which transfers were made. If the farm from which the transfer was made was covered by a conservation reserve contract, cropland conversion agreement, or other land utilization agreement, the rates of payment in the contract or agreement would be proportionately adjusted, but no similar adjustment would be made for the farm to which transferred.

Section 602.—This section would repeal existing provisions of law authorizing leases of tobacco allotments and transfers of producer rice allotments.

Mr. POAGE. We will now be glad to hear from Mr. Jaenke of the Department of Agriculture to give us a description of the legislation and its new features.

STATEMENT OF ED A. JAENKE, ASSOCIATE ADMINISTRATOR;
ACCOMPANIED BY CHARLES M. COX, ASSISTANT DEPUTY ADMIN-
ISTRATOR; ROLAND STELZER, DEPUTY DIRECTOR, POLICY AND
PROGRAM APPRAISAL DIVISION, ASCS; AND CLAUDE T. COFF-
MAN, OFFICE OF GENERAL COUNSEL, U.S. DEPARTMENT OF
AGRICULTURE

Mr. JAENKE. Mr. Chairman and members of the committee, we appreciate the opportunity to appear before these Subcommittees on Wheat and on Livestock and Feed Grains, following the Secretary's testimony on the President's message and on the administration's bill.

I have with me this morning Mr. Claude Coffman from the office of the General Counsel, Mr. Charles Cox from ASCS, and Mr. Roland Stelzer from ASCS.

I would like to begin with a report that came in late yesterday with regard to the feed grain signup for this year. It is most interesting.

It shows that—with 1 day left for farmers in seven States where weather conditions were extremely bad and where the program was extended for 1 week—36,577,000 acres have been signed up for diversion from feed-grain production for 1965.

Mr. POAGE. You mean that you are going to divert 36 million acres?

Mr. JAENKE. That is correct, sir, 36 million plus.

Mr. POAGE. That is very good.

Mr. JAENKE. It is. We are mightily pleased with this acceptance of the program by farmers. Forty-seven percent of all the feed-grain farms throughout the 50 States—whether small or large—representing 65 percent of the U.S. total feed grain base acreage, have been signed up in the program.

This 36.5 figure will probably increase by another one-half million acres by the time the final figures are in.

Of course, later on in the year there will be some dropouts. But, at any rate, this establishes a new record for a feed grain program signup. Assuming normal weather conditions, it will probably mean that our carryover of feed grains will be quite a bit lower than the official figures available before now.

We had thought that our feed grain carryover would be around 55 or 56 million tons at the end of this crop year. This signup for the 1965 season, however, could mean that stocks may go down below 50 million tons by the end of the 1965 crop marketing year.

With that little up-to-date report, Mr. Chairman, I would like to proceed—using the summary and section-by-section analysis which the committee has provided in the form of a committee print—to consider the amendments which are included and explained in this bill.

I will be referring to page 5 of this analysis, first, and then will be moving over to page 10 to discuss the detailed section-by-section analysis.

In general, the proposed legislation would extend the voluntary certificate wheat program for a 2-year period to cover the 1966 and 1967 crops. It would continue the use of certificates covering the domestic and export portion of the crop.

In the case of the domestic certificates, the values would be between 65 and 100 percent of parity instead of between 65 and 90 percent.

The acreage diversion authority would be continued in the proposed legislation, and payments would be authorized on the acreage diverted. The 50-percent limit on the payments would be removed. While the diversion payments could be made on the required acreage to be diverted, the payments probably would be limited to the acreage voluntarily diverted below the allotment.

These are the major features of the bill. We believe that, under this bill and exercising the authority to go to 100 percent of parity on domestic certificates, we can increase aggregate wheat income by at least \$150 million in 1966 over what it is in 1965.

The bill would continue the substitution clause whereby producers may substitute feed grains for wheat or vice versa on an acre-for-acre basis. This is a feature which we found to be popular with farmers in helping to make their farming operations more efficient.

If I might now turn to page 10, we could discuss those sections.

Mr. POAGE. Since you intend to leave page 5 and 6 at this point, let me ask you this question.

You have asked for authority to make payments, that is, to issue certificates that will bring a return of 65 to 100 percent of parity. What you really are asking for is to make loans from 65 to 90 percent, are you not?

Mr. JAENKE. No, sir. We have asked for authority to establish the loan level on the basis of the world market price and the feed equivalent value. Then the domestic share of each farmer's production would be eligible for certificates—in addition to the loan, which would bring the total price support up to 100 percent of parity.

Mr. POAGE. From 65 to 100 percent?

Mr. JAENKE. Correct.

Mr. POAGE. Why did you use the lower limit of 65?

Mr. JAENKE. We felt that a lower limit would probably not be wise in the long run.

It appears desirable to have a 65-percent-of-parity floor under the support—the certificates plus the loan. We think this provides sufficient flexibility for dealing with the program contingencies which might come along in years ahead. And it is consistent with other commodity legislation.

Mr. POAGE. We are assured, are we not, that it is the intention of the Department to fix for the coming year this limit high enough to bring returns of 100 percent parity on the domestic portion of the wheat crop?

Mr. JAENKE. That is correct, sir.

Mr. POAGE. All right. I wanted to have that assurance in the record, because otherwise it would seem to me——

Mr. JAENKE. The President in his agriculture message—and the Secretary in his testimony the other day—reaffirmed that the position of the administration would be to use the authority in the wheat portion to set levels at approximately 100 percent. For instance, if 100 percent of parity were \$2.51 per bushel, it might be more appropriate to set the support at \$2.50.

Mr. POAGE. I understand that.

Mr. FINDLEY. I would ask why the proposal does not simply fix the goal at 100 percent—why any flexibility? Can you tell us the circumstances under which you would find it necessary to seek a goal less than 100 percent for the domestic certificates?

Mr. JAENKE. I do not think that I could cite all of the possible specific examples, Mr. Findley.

Mr. POAGE. If you will yield, we might be engaged in an all-out war in southeast Asia before you actually fix it, might we not?

Mr. JAENKE. That is one certain possibility. We hope not.

Mr. POAGE. Might that not materially change what you would put in here?

Mr. JAENKE. It could, sir. There are many unforeseen contingencies.

Mr. FINDLEY. Would you expect that the price might be lower—would you expect that?

Mr. JAENKE. We think that the pattern Congress has generally followed over the year is sound policy. This has been, when enacting basic legislation as important to the Nation as is this wheat program, to provide some degree of flexibility to take care of contingencies which might arise.

Mr. FINDLEY. What would be the top limit to which the certificate values could go?

Mr. JAENKE. We have thought that 100 percent of parity on the domestic share would be a desirable level.

Mr. POAGE. You may proceed.

Mr. JAENKE. I would like to refer to page 10 near the bottom of the page, where we will discuss the bill, section by section.

There are 12 amendments to the Agricultural Act of 1938 which deal with wheat primarily and in some cases with other commodities.

The first amendment concerns the determination of the national marketing quota. In existing law, the amount to be considered as wheat for use as feed is limited to the 1959 and 1960 average which is, I believe, 43 million bushels. Obviously, this is no longer a realistic figure.

In 1964 and 1965, we estimate that somewhere between 80 and 100 million bushels of wheat may be used for feed. We are asking for authority to remove that 1959 and 1960 provision. We want to reflect more accurately the amount of wheat from wheat allotment acres that will be utilized for feed.

The next amendment would avoid the proclamation of quotas for wheat for 1966 and 1967 crops. This would suspend the provisions of existing law which would require the Secretary to call a referendum and have producers vote on the mandatory features of the basic 1962 Wheat Act. The requirements regarding the proclamation of marketing quotas and the referendum would be set aside for the 2-year period, and the voluntary wheat program we have been operating for the last 2 years would be continued.

Amendment No. 2 at the bottom of page 10 and page 12 deals with the use of "projected normal yields" as opposed to the "normal yields" provided under current basic law. What this means is that, under existing law, we take, for example, the 5-year average yield, and, we make adjustments for unusually bad years, for weather and for trend. But, even with these adjustments the result is about 3½ years behind. In the period that we are going through now—and indeed for the last decade, when yields have been increasing very rapidly—this means that our normal yields upon which payment certificates are based lags by about 4 years. We are asking here for the authority to take these

same basic data we have used in the past for normal yields, and, instead of being 4 years behind, to use a yield that normally could be expected for the year for which the program is to be in effect.

In other words, if for a 5-year period the yields have been increasing at a bushel per acre each year, we would take the 5-year average and add the increment of 1 year to reflect the 1966 or 1967 yield figure as the case might be under this particular legislation.

Mr. POAGE. To my way of thinking, that would be the usual trend. You could use the trend.

Mr. JAENKE. Yes, sir. We do use trends. But the existing law still provides for using normal yield figures that are sometimes far from current. Assume that we were making the determination of yields for the 1967 crop of wheat, we would not have the 1966 data, but we would have data for 1965 and for the preceding 4 years. Under the existing authority, we can take that average and make an adjustment for trend during the 5 years. But we are still using the 1965 and 4 preceding averages—years behind the expected yield on which the program payments would be based. What we are asking for here, on the basis of trend, is to project a yield figure on what could be expected for the 1966 crop and for the 1967 crop, based on the 5-year data that are available.

Mr. POAGE. Mr. Jaenke, can you downgrade these crops the same way that you upgrade them? I can see how you can guess that it would go up without being able to guess that it would go down.

Mr. JAENKE. Under the suggested new formula, you would take the 5-year average, and on the basis of the trend that was showing—eliminating the unusual and the abnormally bad years as in the case of a drought—you would in recent years at least arrive at yields which, in most cases, would be above those computed under the old formula.

Mr. POAGE. I know that, but now that is the very thing that bothers me. In some sections of the country, as for example in the Southwest and in the West, there may be 3 or 4 years when it rains and they have quite a harvest. Now, when you get one of those periods, and you do get these cycles every 3, 4, or 5 years, when it does not rain, and you have bad yields, and it is not only in the western part of the Wheat Belt but in other sections—and would that not automatically give you a lower estimate? You probably have got to project the bad with the good. You will have some cases where you will have to lower these advance estimates.

Mr. JAENKE. We do not believe so, sir, because we have authority to make allowances for drought conditions and abnormal weather conditions which, as you point out, adversely affect the yields in some areas of Texas and southeastern Colorado. We make allowances now for these bad years. We would continue to have that authority.

Mr. POAGE. Let us not say that Texas is the only place that they have these droughts. [Laughter.]

All I am getting at is this. If you are going to guess that a man's yield will become lower and lower, that is one thing. Of course every one of these fellows who gets the increase will be pleased but he will think that he deserves it. And every one of these fellows who gets a reduction is going to say that Congress stole it from him.

Mr. BRUCE. Mr. Chairman, what I think Mr. Jaenke is saying is that the law provides that you disregard the unusual year.

Mr. POAGE. The law says "unusual weather conditions." It does not say disaster years.

Mr. BRUCE. Unusual weather.

Mr. POAGE. I know that.

Mr. BRUCE. The future trend would always cover that.

Mr. POAGE. I wanted some assurance as to these bad years as being "unusual." Do you consider the bad years "unusual"?

Mr. JAENKE. We have been doing this, and we would intend to continue to do this. With National, State, county, and farm yields increasing as they have been in recent years, I cannot imagine a case where any yield which was projected for the 1967 crop year and based on adjusted historical data would be less than the absolute normal yield under the old formula.

Mr. POAGE. If we have that situation, we hope that you will come up here and explain that, if we have to have that.

Mr. BELCHER. And explain it to our farmers, too. [Laughter.]

Mr. POAGE. And you should go to the farmers and explain that, too.

Mr. JAENKE. These are very difficult things, as you know. Many of the Members around the table here have contacted us in the last 3 or 4 years about some problems among counties. I do not pretend to say that this will solve all the problems, but we think that this would be a great improvement over a lag of 4 to 5 years. And we can make the same kind of adjustments, Mr. Poage, for abnormal weather conditions as in the past.

Mr. POAGE. Would you be willing to put some kind of a scotch behind that language, so that it will not go downhill and that "in no event that it will be less than the actual yield" of first 5 out of the last 6 years?

Mr. JAENKE. Yes, sir, I think that we can do that.

Mr. POAGE. I think that we ought to put some kind of scotch behind that, so that we are not going to be run over when that wagon starts rolling back downhill.

I asked if you would advise us whether or not you would be in favor of putting that stop there. And I think that you said "Yes."

Mr. JAENKE. As I said before, we would be willing to include such a provision which said that in no case would the projected normal yield be lower than the past 4 or 5 out of the past 5 or 6 actual yields.

Mr. POAGE. That is fine. Have you got that, Mr. Bruce?

Mr. BRUCE. Yes.

Mr. FINDLEY. May we ask questions now, or later?

Mr. POAGE. We will go over it section by section. That is what we are going to do.

Mr. JAENKE. Continuing on the bottom of page 10, amendment No. 2, in determining the acreage allotment under existing law, we compute the acreage allotment based on the history of the farms, and then we add in the acreage necessary to take care of the provisions of the law for what were the old 15-acre farms. They have now, pursuant to the 1962 act, been given an allotment equal to their 3-year average or their earned allotment, whichever was higher, and we are proposing in this language that we include that acreage as part of the computation in the allotment. It is now included, but you do it in two steps. All we are saying is, "Let us put it together and follow the concept of the law as embodied in the 1962 act."

Mr. FINDLEY. Can you tell us about what is the average actual acreage allotment for the noncooperator? I assume that the noncooperator gets no certificates?

Mr. JAENKE. That is correct, sir.

Mr. FINDLEY. Can you give us an estimate of what the average acreage allotment is for the noncooperator? Many have allotments that do not cooperate. Do you know what the average is?

Mr. JAENKE. Well, compliance with the program is lower in Illinois and in some of the Eastern States where they have the small allotments. In the State of Kansas, around 90 percent or thereabouts comply. I would imagine that a larger number with relatively small-sized allotments stay out, so the average size of farms that are not in the program is about 10 acres.

There is some umbrella effect as a result of the loans. The loan available this year on about 80 percent of the production means that there is an umbrella effect for the noncooperator, but basically it would be in that range.

Mr. FINDLEY. Basically the market price?

Mr. JAENKE. Correct.

Mr. FINDLEY. They would not participate at all in this increase in the certificate value that is contemplated under this program?

Mr. JAENKE. They would not, unless they decide to come into the program. They can plant all of the wheat they desire and sell it on the market at any time they desire. They are completely free of any aspect of the program.

Mr. FINDLEY. Even though as we see often is the case the wheat they produce will be milled for food purposes, they would still not get any return from the processing tax for that particular wheat?

Mr. JAENKE. That would be correct.

Continuing, the quota provision, which we are talking about here on allotments, provides authority for the Secretary to adjust the national acreage allotment as necessary to assure adequate but not excessive stocks. This is very similar to the authority we have had before when we have said the goal of the bill has been to reduce by \$100 million or so, or some other amount, although the language is slightly different.

Going on here, amendments No. 3 to No. 8 have to do with the determination of the State, county, and farm allotments. And, basically, this provision would eliminate and simplify a very complicated and expensive procedure which is now required under law. This provides that we must compute a 10-year average, make adjustments to it, and apply the Anfuso amendment. The result for the last 2 years has been very slight changes from year to year—in the range of one-half of 1 percent or even less—in the allotments in major wheat States. We are proposing here to simplify the procedure by using the preceding year's allotments and then to make any adjustments—as for the Anfuso amendment and so forth—and eliminate this long computation. We will come up with almost the same allotment, and we will save millions of calculations at the county and State and Federal levels. It is a simplification procedure. It will have little or no effect on the allotments at the National, State, county, or farm level.

The effect of the Anfuso amendment is continued, except that here again we propose to simplify the calculation to make a straight 7-

percent reduction. The result would be approximately the same as under the old language, but, again, it is a part of the simplification process. The person who is going to lose acreage as a result of the Anfuso amendment for 1964 or preceding years would have little or no difference in his allotment under the proposed simplification procedure.

Amendment 9 would extend the diversion program for wheat for 2 years, the same as the length of the bill. One major change in this program is that we are asking for removal of the limitation of 50 percent on the diversion-payment rate.

Mr. POAGE. That raises a question that sort of comes out of context. I know that it is hard to keep these things in proper order. When we get to this question here of the length of the bill, that is, its effective period, I think that we ought to go into the question as to why is the suggestion made—maybe you do not want to go into that now—I do not want to put you in that position, if you do not want to go into it now—but why are we asked to change this termination date at all? Why could not these remain the same as the termination date originally agreed on? Has there been any special reason for that? Where does it come from? If you do not care to do so, I will not require you to answer that.

Mr. JAENKE. I think that the Secretary commented on this in his testimony. His testimony was that we are asking for a 2-year extension on these bills for a number of reasons. One important reason is the fact that the President indicated in his agricultural message that he intends to appoint a Food and Fiber Commission to study the farm program and to recommend any changes which, in their judgment, are necessary. This Commission would be broad based, representing all segments of the agricultural industry, plus others. The Commission would probably be expected to have reached some conclusions by the time these bills ran out, if they are extended as requested. Therefore, there would be an opportunity for the Congress and for the administration to incorporate the Commission's suggestions at the end of the 2-year period, when new legislation would be sought.

If the period of the legislation were longer, the benefits of the Commission's advice could not be incorporated as easily and as readily.

Mr. POAGE. I think that you are working on a false assumption. I think that we have to assume in proceeding with this bill that there is nothing so permanent around Washington as a temporary commission. And if there was ever one of these temporary commissions that reported in the time that it was expected to, it has escaped my memory and I do not expect to be here long enough to see that kind of thing happen.

We have a commission now that this committee has a great deal of responsibility for and has some members of this committee on that Commission. And they are high-class members of this committee and outstanding members of this committee. That Commission is supposed to bring in a report within the next couple of months. It has not gotten well organized yet and it will not bring in the report, and we all know it. And you know that. And the President knows that. I just do not have the slightest idea that any commission is going to bring in any report anywhere near the time that it was fixed for it to bring in the report. It seems to me that we are just doing a sort of

vain thing when we act on the assumption that some temporary commission is going to bring us a report within the time it is scheduled to bring it in. That is just my view on this thing.

Mr. FINDLEY. There is nothing as permanent as a temporary or emergency program—the feed grain program, for example.

Mr. JAENKE. May I proceed, sir?

Mr. POAGE. Yes.

Mr. JAENKE. The second major change in this particular amendment having to do with agricultural diversion would remove the 20-percent limitation on additional voluntary diversion and replace it with a 50-percent limitation.

In other words, under existing law a farmer is eligible to divert only 20 percent below his acreage allotment. We are asking that this be changed to permit him to divert 50 percent.

Mr. POAGE. Was it originally 40 or 50 percent?

Mr. COFFMAN. That was on feed grains.

Mr. JAENKE. Wheat has been an additional 20 percent, except in 1962. We are asking that this be made an additional 50 percent to make it coincide with the feed-grain part.

Mr. POAGE. That is what I wanted to get into.

Mr. DOLE. Is this a part of the cropland adjustment program?

Mr. JAENKE. It ties in, in that it is taking land out of production.

Mr. DOLE. Does this tie in with the cropland adjustment program?

Mr. JAENKE. This would be on an annual basis, not on the longer term basis.

Mr. OLSON. Just to back up for a moment. You ask for elimination of the limitation of 50 percent of the price support on the diversion payments, and yet further on you talk about the fact that you are hoping that you will get some of this land out of production at a lesser rate. Where is the consistency in making it look like the diversion payments are going to be more on one hand, and on the other hand you say that you will get diversion for less?

Mr. JAENKE. I think the difference has to do with the period of the contract. The provision we are speaking of now, this amendment, would be for the 1-year programs under the wheat program, whereas in the case of CAP, we are talking in terms of 5- or 10-year contracts. We believe that many advantages are offered to producers under these longer term contracts. Therefore, we can expect to get cropland at a rate somewhat less than the annual diversion rate.

In the case of this program, we think that the limitation of 50 percent on the payment rate could possibly in the future be a limiting factor as to how much diversion we could obtain on a voluntary basis.

Mr. OLSON. We can hold our questioning, then, to when we get down to the point where you are asking to extend the Soil Bank Act.

Just one observation here. You are going to be in competition with any land retirement program with the feed grains or wheat programs.

Mr. JAENKE. Yes, sir; we recognize this, but we have yet to see a way to avoid this competition. There are many farmers and they have a lot of acres of land which, for various personal reasons, would probably be better used under a longer term contract than under an annual contract. For instance, it is amazing the amount of mail that we get from elderly folks, from part-time farmers and others who say, "We like this program. Why can we not sign in for 2 or 3 years, or for

5 years, rather than 1 year." We are trying to take advantage of this opportunity to bring about a better balance. We think it will mean that the wheat and feed grain programs will operate more effectively overall if we can get the land out of production for a longer period of time.

Mr. OLSON. The evidence indicates that many farmers would choose a long-term retirement if it were available presently at present rates. Removing the limitation on the amount that can be paid under the program will definitely increase the competition for any other program that may be made available according to the present evidence.

Mr. JAENKE. May I comment once more on this? I think there is one other aspect. If you will recall, the Secretary stated that the CAP program would extend over a 5-year period. In the first year, you would expect some 5, to 7, to 8 million acres to be taken out. This would not by itself relieve the pressure on the wheat program.

In other words, we would still have to have considerable voluntary diversion under the annual programs. After about 4, or 5 years' operation of the long-term CAP, there might not be a need for as much diversion on an annual basis under the wheat program. But, in the first year or two, you still would have to get a considerable amount of voluntary diversion—particularly in feed grains but also in wheat—in order to keep the supply and demand in better balance, as we have done in recent years.

Mr. POAGE. Mr. Jaenke, would you give us again the attitude of the Department on the pending legislation? It always seems to me that we ought to have a clear-cut understanding of what the Department proposes to do with the legislation. And in the past we have always put it on the basis that it could not be more than 50 percent of the normal production—that we could not pay more than that for the rental on this land. Now this takes that limitation off entirely. It does not even limit it to what you would normally expect to produce. Theoretically, and I certainly do not suggest that it is practical, but theoretically, the Department of Agriculture can come in and pay twice as much for this land as the man would expect to get from farming it. There is nothing in the bill to prevent that. At what figure would you expect to make these payments?

Mr. JAENKE. First of all, I would like for Mr. Coffman to read the language in the law which cites the guidelines. While there is no specific figure, nevertheless I believe any reasonable interpretation would be that there is a limitation as to how much you could do. While he is finding that, if I may comment, one of the areas where we think that a higher diversion payment would be desirable is in the case of the small farmer who diverts his entire acreage—loses all of his certificates as a result—and under the present program we are limited to paying him only 50 percent. This, actually, is less than he could earn if he produced some of the wheat and earned his certificates. If we could go to, say, 60 percent in that particular case, it would be helpful. I think that this is the kind of case we are thinking about in connection with this particular authority.

From the standpoint of the broad diversion on large wheat farms, the payment rate of 50 percent is probably adequate, but in the case of the small farmer it probably would not be.

Do you want to read that now?

Mr. POAGE. Would you find it objectionable if you could pay up to 50 percent, and in the case where the entire acreage was placed in the reserve that you could, under regulation by the Department, pay up to 66 $\frac{2}{3}$ percent?

Mr. JAENKE. I would like to have an opportunity to think about it before commenting officially on it.

Mr. POAGE. That is all right.

Mr. JAENKE. Will you please read the language in the law?

Mr. COFFMAN. This is on page 8 of the bill, lines 10 through 17. The new language would be:

Payments may be made with respect to acreage diverted at such rate or rates as the Secretary determines will provide producers with a fair and reasonable return for the acreage diverted, taking into consideration the loss of production on such acreage based on the projected farm yield, any savings in cost which results from such diversion, the incentive necessary to obtain participation in the program, and the income objectives of the act.

Mr. POAGE. "The income objectives of the act"—that would allow you to pay almost anything.

Mr. JAENKE. But the other factors would not. You have to take into account the amount of production lost and the costs saved, and so forth, and those would prevent an outrageous payment.

Mr. COFFMAN. There has to be a reasonable return for the acreage diverted. This is a payment for that, and for nothing else.

Mr. POAGE. That is a limitation. That is the reasonable return for it.

Mr. COFFMAN. It cannot be more than a reasonable return.

Mr. POAGE. It could, because your "income objective" of the act is a great deal more in some places than would be the reasonable return—is that not correct?

Mr. COFFMAN. I think that these entire guidelines are within the framework of its being a fair and reasonable return for the acreage that you take out of production, and I do not see how under this we could pay anything that went beyond that.

Mr. POAGE. If you cannot, and you are probably right—I do not want to belabor that point—but if you cannot, then certainly there would be no objection—I could see no proper objection to limiting this to generally 50 percent, and in the case of those who put all of their land into the reserve not to exceed 66 $\frac{2}{3}$ percent under regulation prescribed by the Secretary with the anticipation that the Secretary would not let a man put more than a limited number of his acres into the retirement program.

Mr. COFFMAN. I do not know the exact figure, but there is also a problem in feed grains where 50 percent is not enough to compensate for the acreage after you get beyond the 20-percent minimum reduction—50 percent is not enough to compensate for the loss of the feed grain and the loss of the price-support payment—so maybe 66 $\frac{2}{3}$ percent would do it.

Mr. POAGE. Let us be frank about this. We are talking here about trying to raise the farmer's income, because we think that the farmer's income is far too low. And I believe that is correct. I sincerely believe that the farmers are not getting enough for what they grow. But if any farmer can make a clear profit of 50 percent of his gross income from feed grains or wheat, we do not need any program at all for him. If I can go out and plant wheat and grow even 20 bushels to the acre and if one-half of that is net profit to me, I have done real

well. And if I can grow 100 bushels of corn and one-half of that is net profit, I have done better than any farmer I know anything about. If we are going to proceed on the assumption that these farmers are making these profits—and all of this seems to be predicated on the assumption that the farmer can make something more than one-half of his gross, and that is net profit to him, that is an assumption that I do not believe at all. I do not believe that actual farm profits anywhere approaches that figure; do you?

Mr. JAENKE. It does not, certainly, in the case of these small farms where they lose their entire certificates if the total amount is diverted. I do not have the figures here, but I think that I could quickly show you that a 50-percent payment rate will not compensate that farmer for the loss of his certificates.

Mr. POAGE. I will agree that is correct. And if we do not charge anything for his labor and we do not have much equipment either, they just go out and plant and pick it—we do not charge anything up for labor and we do not charge up anything for any of these things, then maybe we can get 50 percent and calculate it that way. But to tell me that the average farmer over the United States is making a net of one-half of his gross—if that is true, then this committee ought to just abandon Washington and go home, because the farmers are better off than anybody in the United States, if that is true. I do not believe it is true. I do not think it is anywhere near true or even approaching the truth.

Mr. JAENKE. Yes.

Mr. POAGE. But to come up here and to suggest that that is true is just violating everything that I know about farming. Maybe I am living in the wrong country. Maybe I ought to be in Appalachia. My farmers obviously do not get any better income than they do in Appalachia but I do not believe that those people in Illinois or in Iowa are making 50 percent of everything that they take in as a profit.

Mr. OLSON. We have touched on an area that I have expressed concern about. I know that something is wrong about it, and I think that we need to get into a very detailed discussion over this until all of the facts are out in the open and we examine them and determine what we should do. Twenty-nine percent of the small feed grain farmers in the United States participate. That is all. In Minnesota there are 17,000 such farms of 1 to 10 acres, and 5,000 participate. The 5,000 are the most horrible examples of a farm program that exists in the State of Minnesota. These are the people who for the most part are not interested in farming. They are the people who advertise far and wide how much money they received, because they owned a little acreage out in the country or they bought a little acreage. A very good friend of mine, a businessman, told me just last weekend that he bought 20 acres. He did not even know there was such a thing as a farm program which could benefit him and the ASCS wrote to him and offered to pay him \$700 under the program. Now, you have got 5,000 of those out of 17,000 with 1 to 10 acres. They will do nothing but destroy the farm bill.

My concern are the 12,000 who cannot afford to participate because they must farm their land. I do not believe that you are going to make it better by enhancing the example of the 5,000. Let us get

to work and see what we can do for the 12,000; we are not going to do it by working on the end that already seems satisfied with the program.

Mr. QUIE. Will you yield?

Mr. OLSON. Yes.

Mr. QUIE. I think as I have pointed out for a long time, since we started working on direct payment programs on feed grains and as to how it operates, that I found with the farmers in my area that they look at the money they receive in direct payments as an entitlement to them. And if they divert acres more and above the minimum they are required to, then they look at it as a penalty, in not receiving the direct payments on what they would have raised on these diverted acres, as well as an incentive to divert acres from diversion payments.

So what they are doing with this is giving an incentive on one hand to divert more, and thereby making the programs work better and penalizing them with money on the other hand.

I can see here why you would want to take the 50-percent limitation off so that your incentives will be greater than your penalties. And I suspect that that program would be all right. I think that if we are going to make the program work—and I do hope that we will—that we ought to have it so that a person will get his direct payment on a portion, instead of with a 50-percent limitation on the amount that he can divert, and then I believe that we should only make the direct payments on 50 percent of his base acres so that the diversion payment is an incentive and there is not a penalty of taking it away at the same time.

I think that if that is the case you would not have to raise the limitation, because any place in the country where they get 50 percent it would be all right. Of course you do look at the additional acres—and you do need them—as being more of a net return than the basic acreage, because a lot of them, generally, do look at it that way, in regard to the total production figure.

You are penalizing them and at the same time when you pay them, you are doing something else.

Mr. JAENKE. I think that you just touched on a real key point. Mr. Poage, in reference to your statement that we think the farmers are netting 50 percent of their gross, the obvious answer is no. But, when you take an individual farm case, and the man has a \$16,000 combine and other expensive equipment, together with his time, you do have a situation, as Congressman Quie has just referred to here, where to give him the exact amount that he would have made on that 20 acres as a profit is not sufficient sometimes to get him in because he thinks that he can do better by using that equipment.

If I might suggest, while it does apply here, obviously we have gotten into a discussion on the key problem in feed grains, which both Mr. Olson and Mr. Quie referred to. We might consider the acreage question all at one time.

Mr. POAGE. Fine.

Mr. FINDLEY. Would the income objective of this act be altered by shifting over to a certificate of higher value? How would you define the income objective of the act?

Mr. JAENKE. To the degree that the higher certificate value would add \$250 million to farm income, it would further that objective very much.

Mr. FINDLEY. So that 50 percent could conceivably give greater leeway in making diversion payments. Could you make bigger diversion payments under this act than you did last year?

Mr. JAENKE. With the proposed limitation removed you could, yes.

Mr. FINDLEY. I mean without these limitations. Would that give your Department flexibility to jack up diversion payments to a higher level than last year?

Mr. JAENKE. You are assuming now that the certificates would remain at the 70- or 75-percent level.

Mr. FINDLEY. The certificates would go up. I assume that you plan that.

Mr. JAENKE. In other words, under this authority, with reference to the clause on income objective, would keeping the certificates the same enable us to raise the diverted acreage payments above what they were in 1965 and before—is that your question?

Mr. FINDLEY. Assuming that you put your certificates up as you plan to do, does the increase in certificate value have anything to do with the amount of diverted payments?

Mr. JAENKE. Yes, it does in respect to this one clause that relates to income. However, we were thinking, as Mr. Coffman explained the other clauses in this section having to do with the loss of return for not producing on this land, that there are guidelines as to a limitation—or as to a rate—at which you could establish this payment.

Mr. FINDLEY. Even the 50-percent limitation—the other feature of this proposal—would enable you to make the diversion even more attractive?

Mr. JAENKE. If you had the same income. But adding \$250 million to the operation of the marketplace in the certificates would probably mean just the opposite. You probably would want to have lower diversion payments on the basis you have just mentioned.

We are asking for authority not to have that limitation of 50 percent—to be able to go higher than that.

Mr. FINDLEY. What I was trying to get at is, even with the 50-percent limitation, you would still have the opportunity to make diversion payments more attractive.

Mr. JAENKE. No, because we have had diversion payments up to the 50-percent rate on wheat.

This next is not an amendment, but I want to mention it, because it is a very important feature.

It is the provision permitting substitution of wheat and feed grains, which would be continued for the next 2 years under this program.

Mr. POAGE. What changes are you going to have to make in that connection with this increased value for the certificates for wheat?

The effect of the substitution, if it would increase my income from wheat and not increase my income from feed grains, obviously will influence the ratio on which these substitutions estimates are based.

Mr. JAENKE. I think that there are some marginal cases that would occur where a farmer, because of the higher value of the certificates, might decide to stay with wheat instead of substituting feed grains, or not to substitute wheat, but not plant as much to feed grains as he did in the past.

Mr. POAGE. You do not think that will be of any real significance?

Mr. JAENKE. No, sir. The substitution provision is most effective and most popular with farmers in areas where they primarily are

producers of corn, such as in the Midwest, and where for one reason or another, they have moved in recent year into wheat production.

Mr. POAGE. Would there not be a greater chance to do this under the new bill than in the past?

Mr. JAENKE. There might be a greater incentive for the farmer to look at this \$1.25 certificate with a little more interest than he had in the 75- or 70-cent certificate. However, when you take a look at the farming operation, it is still in most cases more efficient and a better, smoother operation for the farmer to produce corn on all of his acres and not have to bother with 7 or 8 or 9 or 10 acres of wheat.

Mr. POAGE. We have always believed that. I cannot make a theoretical case out against it, but 10 years ago, though, in my county there were 120 wheat allotments and there were over 1,200 farmers who grew wheat in McLennan County last year. Of course, they did it on the 15-acre tracts. Theoretically, there was not one of those farmers who had anything but just the right to grow wheat. Yet there were over a thousand of them in my county who shifted into wheat. They did not have combines. They did not have seeders. The year before last I saw a man take a sack and broadcast seed. He did not have a machine for that sort of thing.

Mr. JAENKE. I think as a result of the wheat referendum, and knowing that wheat was going to be free and hearing a lot of stories by some people who told them that the price was going to stay up at \$1.80 or even \$2 even although there was no program, many farmers went ahead and took a gamble on wheat last year. But when you look at the planting intentions report that came out of the Department last December, you notice that what was done this year in some of those areas where the expansion was the greatest indicates that they have changed their minds very rapidly. Up and down the Delta is one example with which I am quite familiar. Last year the expansion of wheat was fantastic in this area, and this year they have cut way back.

The story that they were going to get \$1.80 on all of this wheat regardless of how much they planted did not turn out to be true.

Mr. POAGE. Some of them thought that they would get \$2.50.

Mr. FOLEY. How do you define "feed grains" under the provisions of the substitution law?

Mr. JAENKE. Feed grains would be corn, sorghums, and barley if included by the Secretary. Barley is optional.

Mr. FOLEY. Was oats in that in 1962?

Mr. JAENKE. No.

Mr. FOLEY. Do you have any objection to oats being included?

Mr. JAENKE. They were included in the program last year for purposes of substitution.

Mr. FOLEY. Do you propose to substitute them?

Mr. JAENKE. We would propose that these not be included in the program as feed grains for purposes of substitution in the new act that we are talking about now.

Mr. FOLEY. What is your reason for that?

Mr. JAENKE. Beg pardon?

Mr. FOLEY. What is your reason for that?

Mr. JAENKE. The overall reason is simplification of the program. This has seriously complicated the program because you cannot have

a program that applies only to certain areas in the country. We had to include it in all our provisions and in our explanations. We had to explain it to the farmers all across the country, even though there was practically no interest. Out of the 3.2 million feed grain farmers or 1.7 million wheat farmers, about 14,000 farmers have asked to have an oats-rye base established. Thus the use of the oats-and-rye provision for substitution will be very limited. We were led to believe and told that this was a very important feature, and I am sure that in certain localized areas of the country it had some significance. But, in the interest of overall program operation and simplification, we do not think it is justifiable to include a very complicating provision in the program for the entire country for a very small number of farmers who may be interested.

Mr. FOLEY. It is your desire to eliminate administrative work in the Department—that is the reason for the exclusion, is that correct?

Mr. JAENKE. No, I would say it was our desire to make the program more understandable and simpler for farmers. One of our constant problems with these programs is to keep them as simple as possible. One of the most frequent complaints we get is that a provision is complicated. And, among several others, this oats-rye provision has been one of the most complicated aspects of this entire program.

Mr. FOLEY. I am wondering, you tell us that there was no substantial interest or is no substantial interest in this on the part of the farmers nationally?

Mr. JAENKE. Yes, that is right.

Mr. FOLEY. On the other hand, it confuses the program, too, then, because you have to explain something that they are not interested in?

Mr. JAENKE. That is right. We have to include the explanation in the written terms provided to farmers, and in our instructions to county office personnel, even though, as I say, some 14,000 farmers out of the total 3½ million used the feature this past year. We do not think the small benefit to a relatively few is worth having to explain the provision to 3½ million farmers.

Mr. POAGE. We will suspend for a minute. We will go off the record.

(Discussion off the record.)

Mr. POAGE. We will stand adjourned until Monday morning.

(Whereupon, at 11:10 a.m., the hearing adjourned to reconvene at 10 a.m., Monday, April 12, 1965.)

WHEAT AND FEED GRAINS

MONDAY, APRIL 12, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FEED GRAINS
AND THE SUBCOMMITTEE ON WHEAT OF
THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittees met at 10 a.m., pursuant to recess, in room 1310, Longworth House Office Building, Hon. W. R. Poage (chairman of the Subcommittee on Livestock and Feed Grains) presiding.

Present: Representatives Poage, Purcell (chairman of the Subcommittee on Wheat), Stubblefield, Olson, Foley, Redlin, Bandstra, Greigg, Callan, Quie, Mrs. May, Latta, Findley, and Dole.

Also present: Representatives Hagen of California, and Nelson of Minnesota.

Christine S. Gallagher, clerk; Hyde Murray, assistant clerk; Robert C. Bruce, assistant counsel; Francis LeMay, consultant; and Martha Hannah, staff.

Mr. POAGE (presiding). The subcommittees will please come to order.

We are met this morning to continue our discussion which was interrupted the other day by the 11 o'clock session of the House.

We have with us this morning Mr. Jaenke, Associate Administrator, of ASCS, who is giving us an explanation of the bill. And I am going to ask Mr. Purcell to preside. We were in the midst of a discussion of the bill when we adjourned the other day.

Mr. PURCELL (presiding). You may proceed.

**STATEMENT OF ED A. JAENKE, ASSOCIATE ADMINISTRATOR,
ACCOMPANIED BY CHARLES M. COX, ASSISTANT DEPUTY ADMIN-
ISTRATOR; ROLAND STELZER, ASCS; AND CLAUDE T. COFFMAN,
OFFICE OF GENERAL COUNSEL, U.S. DEPARTMENT OF AGRI-
CULTURE**

Mr. JAENKE. Mr. Chairman and members, I will continue on page 11 of the committee print, which gives the summary and section-by-section analysis of H.R. 7097. I believe that we had left off with amendment No. 10, which is about the middle of page 11 of this committee print.

Amendment No. 10 relates to the authority granted to authorize certain crops to be grown on diverted acres. In addition to those that have been authorized in past legislation, soybeans and mustard on wheat diverted acres is being added to this authority, with the same

type of restriction. The Secretary must determine that such production is needed, is not likely to increase the cost of the price support program, and will not adversely affect farm income. Whenever one of these listed crops—guar, sesame, safflower, sunflower, castorbeans, mustardseed, soybeans, and flax meets these criteria, we may permit these to be grown on diverted acres. In such cases, the diverted-acre payment cannot exceed one-half the rate which would otherwise be applicable.

Amendment No. 11 on page 11 would amend the section relating to the preservation of acreage history and acreage allotments. Under existing law, the farmer, in order to preserve his acreage and his history, is required to plant that allotment. Currently he is required to plant 75 percent of his allotment in 1 out of 3 years. We believe that in a period when we have overproduction of nearly all of the major agricultural products, and we are trying to bring our production in line with demand, we should not have a provision in law which forces people to plant that allotment just to preserve it. This section would remove that requirement and preserve the allotment, whether or not the acreage is planted 1 out of 3 years.

Mr. POAGE. I know that you do not handle the cotton section in the Department of Agriculture, but do you understand that the Department would recommend that same thing for cotton?

Mr. JAENKE. It is my understanding that the language we are discussing here in amendment No. 11 would apply to all acreage allotments, marketing quotas, and history commodities—which would include cotton.

Mr. POAGE. You are going to let the man retain his history forever—you are going to do that?

Mr. JAENKE. Well, subject to change by Congress, but at least we are not going to force him to plant it 1 out of 3 years.

Mr. POAGE. I know, but if we let him keep that history and we propose later on in this bill to allow that——

Mr. JAENKE. Yes, sir.

Mr. POAGE. Is this not going to mean that you are going to freeze cotton forever without any possibility of changing it?

Mr. JAENKE. Generally, yes. Within certain guidelines, the allotment could be transferred within the State under the proposed legislation. The effect would be practically what you said; yes, sir.

Mr. POAGE. I do not know that I am opposed to that, but then it is a pretty far, far-reaching proposition; that is, your suggestion is, is it not?

Mr. JAENKE. No, sir, we think this is a major change in considering the history of farm legislation, but its possible effects are not so significant as to override this aspect of forcing people to use their acreage allotments 1 out of every 3 years when they do not want to.

Mr. POAGE. Thank you.

Mr. JAENKE. Amendment No. 12 would authorize the Secretary to issue wheat marketing certificates to producers, with adjustments in accordance with performance, even though the producer failed fully to comply with the requirements of the program. Under existing law, if he failed to meet his conserving requirements by an acre or two—that is, by some very small accidental amount—we are forced to deny him any certificates. This program would give us some authority

to adjust the amount of certificates he would receive, instead of denying him the full amount of the certificates.

Section 102 has to do with the extension of the voluntary-type program for 2 years for the 1966 and 1967 crops. It also relates to the allocation of certificates based on the projected farm yield, as we discussed at our last meeting, rather than on the lower and outdated normal yield.

Section 103 would amend——

Mr. POAGE. Before you pass that one, I think that you ought to make it clear that we did discuss this.

Mr. JAENKE. Yes.

Mr. POAGE. I do not know that you can give us any help on that, but you know that this committee adopted a longer period of time for these programs. Do you feel that there is any serious reason why we should not extend this program or these programs for a longer period of time?

Mr. JAENKE. The Secretary, I believe, testified the other day before this committee that it was the administration's position the extension should be for a 2-year period. In view of the fact that the President plans to appoint very shortly a Food and Fiber Commission and to charge this Commission with the responsibility of reviewing all of these agricultural programs toward the goal of making any recommended changes to the Congress and to the administration——

Mr. POAGE. I believe that I commented at that time that that was a temporary commission and nothing is so permanent as a temporary commission, and that there was no probability that we would get anything of any importance from that Commission within 2 or 3 years' time or within time for us to take action. This goes into effect next year.

Mr. JAENKE. Well, yes; that could be true. I think more likely it would be 2 years from now. We would need to deal with the 1968 crop and the 1968 crop would, of course, be planted and the farmers would be making a decision in December of 1967, so that there would be probably 2 years' time before any further action would need to be taken on this program.

Mr. POAGE. Do you have any hope that we could get along with not more than 2 years' extension? I think that the changing of programs every year is bad, even if you get a good program—if you cannot let the farmers know what the program is for a longer period of time. I think that we change the programs too rapidly and too often.

Mr. JAENKE. Well, in this proposed bill, Mr. Poage, the wheat program would be extended almost exactly, from the farmers' operational standpoint, to exactly what we have had in the last 2 years. And, of course, in the case of feed grains, it is very similar. I do not believe that we would anticipate major changes. Certainly the wheat price-support level would be increased for that portion of his crop which is used domestically, but operationally there would not be very many changes contemplated.

Mr. POAGE. You call attention to wheat. At least I hope that we are going to make all of these programs expire at the same time.

Mr. JAENKE. Yes, sir. As I indicated in the case of feed grains, we would anticipate that under this authority a program very similar to the one we have known in the last 2 years would be continued.

On the wool program there would not be major changes. The payment procedure, the requirement of the farmer, et cetera, would be the same. The change would have to do with the payment rate.

In the case of rice, there is more of a major proposal included in the bill—more significant changes are involved in that proposal.

Mr. POAGE. Even though we do not have cotton before us, we certainly anticipate that there will be something of importance in the cotton bill.

Mr. JAENKE. We would anticipate that this would probably cover the same 2-year period as the bill now before the committee.

Mr. POAGE. Thank you.

Mr. PURCELL. Proceed.

Mr. JAENKE. Section 103 makes the same change we have discussed previously, regarding the use of projected yields in determining the national allocation.

Section 104 would have to do with the requirements of processors to purchase certificates. Under existing programs, if the raw material wheat is processed directly into a nonfood use, such as wallboarding and plywood glues and glue extenders, then the certificate is not required. If, on the other hand, because of the technical method of processing this wheat, it is moved into flour which is defined by law as a food product, it must carry the certificate even though it may ultimately be used for these nonfood uses. On the basis of our experience of operating this program now for nearly a full year, and our discussions with trade sources, millers, and the users of these products for nonfood purposes, we believe that a change which would exempt the products of wheat which are not used for food purposes would be in order. Under this proposed change, therefore, whether the wheat is taken directly into the nonfood use or whether it is first made into flour, if it can be proved that the flour has been used for nonfood purposes, the certificate requirement would be waived or it would be refunded.

Mr. OLSON. About how much wheat does this affect?

Mr. JAENKE. We think, sir, about 8 or 9 million bushels for all of the nonfood uses.

Mr. OLSON. That would be about \$10 million, then, under the proposed wheat certificate price of \$1.25?

Mr. JAENKE. Yes, sir.

Mr. OLSON. What reasons can you give me to substantiate the apparent inference that domestic users of wheat for other than a human food cannot afford to buy certificates?

Mr. JAENKE. If I might backtrack, I think that I spoke too quickly with regard to a cost of \$10 or \$11 million for this. This change would apply only to a portion of the 8 or 9 million bushels of wheat. This would not be the whole amount, since the exemption already applies to a part. The change from last year's program to this year's program would not involve \$10 million or \$11 million. It would involve something less, which, at this point, could be only a guess. It would not, of course, involve that part of the wheat such as the brans, shorts, other byproducts and waste resulting when wheat is processed into flour or other food products certificate would be required on the full amount of wheat used in making flour and other food products.

Mr. OLSON. Because of the language that you refer to as not requiring certificates if the result is not a flour product?

Mr. JAENKE. That is right. Some of it was excluded by the processing techniques that were used in the past.

Mr. OLSON. Even so, what reason can you give me for making this change?

Mr. JAENKE. Well, No. 1, sir, would be equity. There are cases where two processors, located in the same area where one uses an operation which takes the whole wheat directly into a glue extender, let us say, and another processor right down the street who puts wheat through the flour process, and then takes a portion of the flour and uses it in these non-food-use products. One is required to buy certificates now valued at 70 or 75 cents. The other is not required to buy them. As we increase the certificates to \$1.25, the disparity and the inequity between these two processors becomes quite significant.

Mr. OLSON. It seems to me that the way you originally explained this, the inequity would still exist, because of your determination that if the end product, or, if the byproduct were identified as a flour, it would require the certificate cost. Under existing legislation as I understand it, wheat clears carry a certificate cost proportionate to the amount of wheat represented because clears are identified as part of patent flour.

Mr. JAENKE. The clears was not the specific part that I was talking about. Clears is a very broad category covering a lot of things here. It would depend on what use was made of the clears. If it was going into a food use, it would still carry the certificate value with it. If it were going, on the other hand, into a wallboard or a glue extender and proof was submitted of this use, then we would have the authority under this amendment to refund the value of the certificate prorated to the amount of clears of flour used for that nonfood use.

Mr. OLSON. Did you review the hearings on this particular subject held by the subcommittee in the 88th Congress?

Mr. JAENKE. No, I have a general report on it but I did not read the hearings.

Mr. OLSON. It was brought out that there might be inequity in this area more prevalent so far as the use of export certificates are concerned in regard to this product. I think that you are trying to adjust a little bit where the unfair competition is the use of export certificates on flour clears. We produce more wheat than we can use at home, and we provide an export subsidy for some of this. When we subsidize the export of flour clears, the industry can argue that we provide our competitors out of this country with the product at a much cheaper price than they can compete with.

Mr. JAENKE. Yes, sir.

Mr. OLSEN. I believe there are less arguments against the certificate plan concerning the price of glue than the price of bread. I believe the domestic industry should be adequately protected and if they are, they can afford to do their share in raising farm income. We are starting to exclude little bits and the habit could get costly.

Mr. FINDLEY. If you will yield.

Mr. OLSEN. Yes.

Mr. FINDLEY. You mentioned that under some circumstances the Department would refund the value of the certificate. Now, would the refund be in full or would it possibly be just a portion of it?

Mr. JAENKE. Prorated, yes.

Mr. FINDLEY. Where the wheat was used for industrial purposes?

Mr. JAENKE. Yes.

Mr. FINDLEY. Would you necessarily refund the entire value of that certificate for that one or would it, possibly, a percentage of the value of it?

Mr. JAENKE. It would be the whole amount if all of the wheat were used for an industrial use. If, on the other hand, as is the case in some processing facilities, a certain cut of flour is taken off first, and then the remainder of the flour goes into a nonfood use, it would be prorated.

Mr. FINDLEY. Is it anticipated that the effects of this new policy would be to shift corn to wheat for some industrial uses? If you go through with this policy of reimbursing the certificates, would it not tend to have an adverse effect on corn?

Mr. JAENKE. I do not believe that I could answer that this morning. We would be happy to have some of our utilization research people in the Department take a look at this question and provide you with some information about it. I would not be competent to answer this particular interplay of competitive forces here.

Mr. FINDLEY. This is one major change that is anticipated in the wheat program as compared to last year?

Mr. JAENKE. Under the existing law, of course, some of them process the wheat, taking it from the whole wheat directly into the glue extenders, and therefore they do not have to acquire a certificate. In effect, they are right now getting wheat at the \$1.25 level. It bothers us and we are unable to answer questions as to the competitor who happens to use a different process, why his wheat should cost \$2 a bushel when he is coming out with the same product in the end, but is going through a little different process in coming to that end product.

Mr. FINDLEY. That is why I wondered if you did anticipate a percentage refund.

Mr. JAENKE. It might be a way of avoiding the other thing that you mention, yes. We would like to give this some consideration.

Mr. OLSON. This is the first that I have had it called to my attention that there was any wheat going directly into adhesive use. There then must result a byproduct that must go some place else. Previous hearings determined that a very small portion of the wheat kernel is used in adhesives and I understood this amount was the result of milling practices. I do not believe we have enough information to properly discuss this exclusion this morning. I do feel we should discuss it fully, and I want to again point out that your concern over the competitive inequities that exist according to your illustration, are many times compounded because of the Department's policy of subsidizing the export of wheat clears.

Thank you.

Mr. DOLE. I wondered what effect would an amendment to the bill exempting wheat clears have. Would that have any effect?

Mr. JAENKE. No; if clears were used for a food use, they would still carry the certificate. Only upon proof of their use for nonfood uses would they be exempt for all or a part of the certificate.

Mr. DOLE. Thank you.

Mr. PURCELL. May I ask one question before you go on? Do you contemplate under this provision that the payment of the certificate to the producer would be adjusted by this refunding of the value placed upon the nonuse?

Mr. STELZER. I think that we would have to take it into consideration in determining how many certificates would be issued to producers.

Mr. PURCELL. Would it be lower in the percentage of the domestic wheat by whatever ratio was turned out in that figure?

Mr. STELZER. We would have to determine that.

Mr. PURCELL. I did not want you by my silence to believe that I agree with you.

You may proceed.

Mr. JAENKE. Turning to the top of page 12 of the committee print, section 105, the amendment would continue the cancellation of the land use penalty that was in the permanent act of 1962.

Amendment 2 would extend to the 1966 and 1967 crops the authority which authorizes producers to exceed their wheat allotment and to store that under bond in accordance with the regulations issued by the Secretary. This is the overseeding and storage provision which has been a part of our wheat program for some 15 years, primarily for the benefit of the high-risk areas in the western plains.

Amendment 3 would extend to the 1966 and 1967 crops the 105-percent resale price. The purpose of putting the amendment in is to clarify that the resale price pertains to the loan rate, plus reasonable carrying charges.

Mr. DOLE. Do you have any objection to raising that 105 percent?

Mr. JAENKE. I think that the Secretary clarified our position the other day in his testimony before the full committee, Congressman Dole. We do not think it appropriate to use the situation which existed in the very unusual "transition" year of 1964 as a justification to change the resale price level. We believe that 105 percent plus reasonable carrying charges is a proper floor, and we would not look favorably on a change.

Mr. DOLE. I do not mean to state that you are misinterpreting what the Secretary said, but he more or less candidly stated that by raising it it would force compliance—is that the way that you interpret it?

Mr. JAENKE. We believe that in the operations of a voluntary program there must be a differential, a spread between the cooperator and the noncooperator, and to the degree that a higher resale price would adversely affect that spread it would harm participation in a voluntary program and lead to greater costs and buildup of stocks. For those reasons I think we would oppose it.

Mr. DOLE. I am wondering if we might conclude it is not really a voluntary program with the 105-percent figure.

Mr. JAENKE. I could not consider that. I think the program offers the opportunities to any producer of wheat in the United States, whether he has a history or not, to produce wheat unlimited or to come into the program, and I would certainly call that a voluntary program. It is each producer's decision as to whether or not he wants to participate.

Mr. DOLE. There would be a benefit to cooperators and the non-cooperators by raising the resale price?

Mr. JAENKE. Not necessarily—just raising the resale price does not necessarily guarantee anything. If the supply happens to be equal or very close to the requirements for a particular year, a release price of 300 percent would not necessarily raise the farm price or the farm income.

Mr. DOLE. There is one area where nearly all farm groups seem to be in agreement. Some say raise it to 120 percent and another 125 percent. The Grange takes exception to raising it. Is there any possibility, speaking frankly, could some compromise be worked out whereby there would be an increase to 110 or 112 percent that would be acceptable to the Department?

Mr. JAENKE. The reasons given by the Secretary the other day are such that any change in this direction of increasing the resale price percentage would, probably, have some serious detrimental effect and might very well preclude any "compromise," quoting that word as you have mentioned it.

Mr. PURCELL. Let me state this, and I do not mean to curtail your questioning, but we will have the whole series of hearings, where we will hear from people who are in the trade, and the like. We do know the Department's attitude on this. We certainly will go into it in very great detail later on.

Mr. FINDLEY. Mr. Jaenke, could you estimate how much added cost to the Government would occur if the release price were increased to 115 percent?

Mr. JAENKE. Well, I think, first, that you would have to divide the circumstances into two different, distinct categories.

One, that the higher resale price was effective in raising the market price. And, secondly, that it was not effective. And this would be determined solely on the basis of what supplies were in relation to the demand. In any year in which the supplies exceeded the requirements, there would, of course, be little or no change in the actual market prices regardless of what the minimum resale price is.

Mr. FINDLEY. If you had had a higher resale price, this past year, would you have anticipated that the market price would be higher?

Mr. JAENKE. Last year is a very unusual year, because we were going through a sharp transition from one price level obtained under the old act to a new price level which brought wheat down competitively to world market levels. We were going through this transition, and the Congress directed the Department to make our stocks available to users prior to the time that the new crop came in. I do not know. There probably would have been some increase in prices this past year. I do not know how much. Maybe 1 or 2 cents. I would not be able to guess.

Mr. FINDLEY. If the wheat price release was changed to 115, would you expect that the cost would rise as much as \$100 million?

Mr. JAENKE. Well, again, coming to the other alternative, if the supply was less than the requirement and, therefore, there was bullish pressure on prices—to the degree that we are subsidizing every bushel

of wheat that leaves this country above the loan level of \$1.25, and to the degree that prices got above that—I think that each cent increase in the domestic price would mean 1 cent more per bushel Government cost under the export subsidy program. Certainly if this were tied to feed grains, we would be back in an export subsidy position on feed grains, which we have not been in for 3 or 4 years. So I would say, taking this alternative, where supply was short of requirement, and there was bullish pressure—to the degree that these were effective, it would increase costs; yes, sir.

Mr. FINDLEY. The Secretary's statement had attached to it a chart headed, "Wheat Government Price Support Operations, Farm Price at Loan Rate." Do you recall that chart?

Mr. JAENKE. Yes, sir. I do not have a copy with me.

Mr. FINDLEY. I will give you my copy for you to look at.

Mr. JAENKE. I do not have a copy here.

Mr. FINDLEY. If the broken line were shown as representing the market price of wheats, instead of the price received by farmers, it would have an entirely different relationship to the loan price, would it not?

Mr. JAENKE. I would think so, yes. The loan as well as the market price would be different. Transportation costs would also apply.

Mr. FINDLEY. Would you be kind enough to have someone in the Department construct a third line showing how the line would appear, based on the market price of wheat?

Mr. JAENKE. This is the market price. The question is what price series do you wish to show.

Mr. FINDLEY. The price received by the farmers at the market.

Mr. JAENKE. It depends on what you are talking about when you mention the market. The price received by the farmer is the market price at the point where he sold it. And that is generally at the country elevator. If you are referring to market price as that deliverable to the Board of Trade in Chicago or in Kansas City, that is a different one, because that would include the transportation costs and other items.

Mr. FINDLEY. If you would be kind enough to show the terminal market prices for that period I would appreciate it very much. It would be helpful in our discussion. I am trying to determine if Government payments were in the chart computations.

Mr. JAENKE. You want the terminal market price?

Mr. FINDLEY. I would like also to have the market price at a local elevator.

Mr. JAENKE. That is what we have down here on the chart now. This is the price received by the farmer when he sells it which is the market price at the local point.

Mr. FINDLEY. Show the terminal market price for that same period, please.

Mr. JAENKE. You want the terminal market price? We will get this for you.

Mr. FINDLEY. Thank you.

(The information follows:)

Wheat: Average cash market prices No. 2 Soft Red Winter and terminal loan rate at Chicago, Ill.

Year beginning July 1	No. 2, average cash price (per bushel)	Soft Red Winter wheat, loan rate ¹ (per bushel)
1951-52	2.48	2.49
1952-53	2.24	2.52
1953-54	2.03	2.53
1954-55	2.19	2.53
1955-56	2.13	2.37
1956-57	2.26	2.30
1957-58	2.18	2.30
1958-59	1.94	2.14
1959-60	1.99	2.11
1960-61	1.98	2.07
1961-62	2.05	2.08
1962-63	2.10	2.27
1963-64	2.03	2.09
1964-65	² 1.50	1.56

¹ Basic terminal loan rate (no deduction made for storage, loan year range, -12 cents to -1 cent).
² Preliminary (10 months).

Mr. PURCELL. Is that all?

Mr. FINDLEY. Yes.

Mr. PURCELL. Do you have a question?

Mr. LATTA. The Congress has just passed an administration-requested tobacco bill, wherein the tobacco farmer who has not produced all that he is entitled to produce in 1965 can carry his deficiency over into 1966 and produce it then. Is there a comparable provision in this bill for wheat farmers?

Mr. JAENKE. No, sir.

Mr. LATTA. If not, why not?

Mr. JAENKE. Wheat is a voluntary program. Tobacco is a mandatory program.

Mr. LATTA. Is that the only answer you have to that?

Mr. JAENKE. Well, no. That is one, certainly, but I am sure that there are other reasons.

Mr. LATTA. Would it not seem fair if you do it for the tobacco growers that you should do it for the others, such as the wheat farmers?

Mr. JAENKE. Well, only if other circumstances are similar, Congressman Latta. We do have the overseeding and storage provisions under wheat. We do not have that under any other program because, generally, no other major commodity is produced in the very high-risk areas, as wheat is. We have not applied that overseeding privilege to cotton or to peanuts or to corn because of entirely different circumstances, and I think that there are entirely different circumstances here than in tobacco.

Mr. LATTA. The illustration you gave is not comparable. Storage provisions pertain only to overproduction. I am talking about under-producing. Say that the wheat farmer does not produce anything at all this year, do you not think that it would be fair to treat him like the tobacco farmer and permit him to produce twice as much the next year?

Mr. JAENKE. Again I think that there is a major difference in the two programs that you are referring to. No. 1, tobacco is a mandatory program. Wheat is a voluntary program. No. 2, the purpose of this provision in the tobacco bill relates to poundage and acreage. No. 3, if he overmarkets tobacco one year, his quota is reduced the following year. Wheat has nothing comparable to this at all. It is purely on an acreage and not on a pound and acreage basis.

Mr. LATTA. Perhaps we disagree there. Actually, is not wheat on the same basis when it comes to the matter of certificates—are they not on a bushelage basis?

Mr. JAENKE. Not on the matter of the price support loans. The farmer who participates in the wheat program is eligible to get a loan on all of the wheat that he produces. The certificates are issued on the basis of a certain percentage of the allocated acres times a normal yield.

Mr. LATTA. So far as the certificates are concerned, they are issued on a bushelage basis.

Mr. JAENKE. They are issued on the normal yield basis on his share.

Mr. BRUCE. He gets both whether he produces or not, if he has made an attempt to produce, for example, by planting.

Mr. JAENKE. If his crop is destroyed as the result of a catastrophe, he receives the certificates anyway.

Mr. PURCELL. If there are no further questions, you may proceed.

Mr. JAENKE. Section 106 would provide that price support for wheat with domestic certificates would be between 65 and 100 percent of parity, and that with export certificates would be not in excess of parity. Noncertificate wheat would be supported through the loan mechanism not in excess of parity in consideration of the world price and taking into account the feeding value of wheat and the support level on feed grains.

Mr. LATTA. What does the Department anticipate would be the value of the 1966 export wheat?

Mr. JAENKE. We believe that the loan level now established at \$1.25 is, approximately, in line with world wheat prices and with the feeding value of wheat. A nickel either way could, certainly, be appropriate in some future years, but it would be very close to the \$1.25 that we now have.

Mr. LATTA. Could you very quickly tell us how much more a farmer would net under this program for 1,000 bushels of wheat as compared with the present program?

Mr. JAENKE. We can make the calculations.

Mr. LATTA. And with the present anticipated program?

Mr. JAENKE. He would receive \$2.50 on his domestic share which would be, approximately, 45 percent of that, and he would receive \$1.25 on the loan on the remaining wheat. The authority is in the bill to include an export certificate. At the present time the Department would lean toward not using the export certificate. By the time the 1966 determinations are made there could be some change in this. If we assume he did not receive any exports certificates, he would, in effect, be getting under the proposed bill about \$1.812 compared to \$1.693 under the 1965 program—an increase of 7 percent. This could be larger if some export certificates are issued to producers. Perhaps from 5 to 8 percent.

Mr. LATTA. Five to eight percent?

Mr. JAENKE. Yes.

Mr. LATTA. Increase?

Mr. JAENKE. Yes.

Mr. LATTA. Thank you.

(Information follows:)

1965 PROGRAM—1,000 BUSHELS

1,000 bushels, at \$1.25 loan-----	\$1, 250. 00
450 bushels, at \$0.75 domestic certificate-----	337. 50
350 bushels, at \$0.30 export certificate-----	105. 00
Total-----	<u>1, 692. 50</u>

PROPOSED 1966 PROGRAM—1,000 BUSHELS

1,000 bushels, at \$1.25 loan-----	1, 250. 00
450 bushels, at \$1.25 domestic certificate-----	562. 50
Total-----	<u>1, 812. 50</u>

Increase 1966 over 1965-----	\$120. 00
Percent increase-----	7. 1

Mr. PURCELL. Mr. Findley.

Mr. FINDLEY. Mr. Jaenke, as I recall, the Secretary stated why he wanted the authority to set this for the certificate at 55 and 120 percent. Do you have anything further to add to his statement? My question was why he made this discretion if he was going to set it at 100 percent?

Mr. JAENKE. I have nothing to add to the Secretary's statement.

Mr. FINDLEY. Would you object to an amendment which would simply fix it at 100 percent for the certificate wheat?

Mr. JAENKE. I think that the administration would, probably, oppose that amendment.

Mr. PURCELL. Please go ahead.

Mr. JAENKE. Section 107 is a technical amendment to the acreage allotment provision.

Section 108 authorizes the Secretary to distribute certificates among the producers on a fair and equitable basis, taking into account their contribution to the participation in the program. Under present existing law there is no such authority and in multiple operation units it turns out that the producer of a particular section of land which is farmed fence to fence, or, so to speak, without contributing to the program—toward the diverted acres—is eligible to get certificates on the basis of his production, and the other units of the land which are taking the brunt of the reduction receive much less. This would provide the authority to allocate the available certificates on the basis of the contribution to participation in the program, rather than on his share of the actual production.

Mr. LATTA. This provision is a completely new and different section and I suggest that it be explained.

Mr. PURCELL. Might I suggest this. We are going to have many more sessions on this. I think that maybe you can go into that now, but I would like for Mr. Jaenke to be able to go over this section by section once so that we can have a clear understanding of it and, also, allow the other witnesses who are here to present their views. I agree with what you have said.

Mr. LATTA. Would this mean that the Department could go out on a farm and give out any number of certificates regardless of acreage?

Mr. PURCELL. No.

Mr. JAENKE. No.

Mr. LATTA. I think this needs more explanation.

Mr. PURCELL. It has to do with getting the land into compliance, that is, the acres diverted, where a man has three or four farms and that with compliance with one farm, doubling up the bushels that are produced that the Department can kick them out. That is what we are talking about.

Mr. LATTA. If that is what they are talking about, that is something else. I remember a couple of years ago Mr. Poage and I had a little problem on that. I thought that was worked out at that time.

Mr. PURCELL. It has been worked out but the trouble is with the way that it is working. This is an area that we will have to go into in great detail, so far as I am concerned, because I have some views on both sides of this. I have people on both sides of this question. But I think that we will get into that real deep here later.

Mr. JAENKE. Another portion of this same section 108 would provide that producers would not be required to plant wheat—in order to be eligible for the certificates—when there are clear indications because of droughts, flood, or other reasons that they cannot expect to get a crop. As of now, we are in the position, under the existing law, where a farmer must take his tractor and drill and run over the field and waste money for gasoline to put a crop in the ground when everyone recognizes and understands that there is no hope for a crop. The basic provisions of the law—the requirement that a farmer must have planted in order to get a certificate—would remain unchanged, but there would be a special exemption for those few cases where these disaster conditions existed.

Section 109 would amend the law so as to bring the projected national yield language, the projected normal yield language, into the wheat program. It would base the yield on a 5-year period of actual production history, adjusted for abnormal weather trends and so forth. And in general it would apply the projected normal yield concept to the basic laws now in effect for determining the national allotment in determining State, county, and farm yields.

Section 110, on the top of page 13, relates to the storage of excess wheat and the computation of the projected normal as opposed to the old normal yield. Again, a technical amendment to bring this into play.

Section 111 relates again to the termination of farm marketing quotas and farm marketing excesses and relates to the projected normal yield.

And, likewise, amendment B.

These last four or five that I have discussed are amendments to change the basic law to bring into play the projected yield concept that the administration is recommending.

Those conclude, Mr. Chairman, the amendments which are proposed to the wheat section or the wheat title of the omnibus bill.

Mr. PURCELL. Are there any questions of Mr. Jaenke in addition to those that he has already been asked.

Mr. FOLEY. Mr. Jaenke, was this section-by-section analysis prepared by the Department?

Mr. JAENKE. I believe it was, the technical aspects of it.

Mr. FOLEY. Directing your attention to page 7, before title III, 2(3)—

the existing provision of law permitting substitution of wheat and feed grains would be left in effect.

Is that in all respects a correct statement?

Mr. JAENKE. Again, you are referring to the oats and rye substitution provision. Are the oats and rye provisions omitted in the proposed wheat and feed grain programs?

Mr. COFFMAN. That is a separate provision; the substitution clause is. And this statement you are reading has reference to that. The oats and rye provision is in the feed and grain legislation in effect for 1964 and 1965. It is only in that legislation that there was a provision which permitted the wheat farmers to substitute wheat for oats and rye. That is not in this bill. But the substitution clause itself is a permanent provision and that is left in effect.

Mr. FOLEY. Is the proposed change eliminating oats and rye for substitution purposes which Mr. Jaenke just asked about wheat anywhere explained in this section-by-section analysis?

Mr. COFFMAN. I think it is in the feed grain section but we have not come to that yet.

Mr. PURCELL. We will get to that right now. Are you ready to proceed into that section?

Mr. JAENKE. If I might just generally first discuss the feed grain program——

The bill submitted by the administration contemplates, generally, the continuation of a feed grain program very similar to what we have known in the last 2 years. It would provide for price support, diversion payments, and price support payments as we have had generally in the past.

There is the requested authority to vary and adjust the program provision relating to the acreage diversion payments and the price support payments.

In addition, it is requested in this piece of legislation that soybeans be included in those crops which may be permitted to be grown on the diverted acres with a reduction in the size of the diverted-acre payments. And in addition to this, the authority is requested to permit soybeans to be grown on feed grain acres and considered as a feed grain, without loss of price support payments. In both cases the Secretary could not permit soybeans to be grown on diverted or permitted acres unless there is a need for these beans, unless it would not adversely affect farm income, and is not likely to increase the cost of price support programs.

The other major change in this feed grain program would be the use of projected normal yields, as we have discussed with reference to wheat. These would apply to feed grains as well.

Specifically now, the limitation of 50 percent of the price support rate as applicable to the diverted-acre payments would be removed. There are guidelines to the Secretary, as we discussed the other day in the case of wheat, taking into account any savings in cost resulting from diversion, the loss of production on these acres, et cetera.

The other major change in the feed grain program would provide that barley may be an optional feed grain at the discretion of the

Secretary. In the past barley, except in 1961, has been included in the feed grain program. Our stocks of barley have been coming down. We are approaching very nearly a balanced situation for barley—a desirable level of carryover—and we are asking for the authority not to include barley in some future year's program.

I believe that is a very quick summary. I know that you are in a hurry. These are the high spots, at least, of the feed grain bill and the changes that are requested.

Mr. POAGE. I would like to ask Mr. Jaenke about this. What would you expect to pay for the diverted acres under this enlarged authority?

Mr. JAENKE. This would depend on the other provisions of the bill and on how much diversion was needed, Congressman Poage. With normal yields this year, with a large signup, we could very well be at or even a little below 50 million tons by the end of 1965 marketing year. In such a case, obviously, we would not need to divert 34, 35, 36 million acres. The authority that is requested in this bill is to continue the present type program with diverted-acre payments at, approximately, the same levels as we now have, or if the situation so warrants to increase that above the 50-percent limitation.

Likewise, the price support part of the program could be varied so as to increase the price support and decrease the acreage-diversion program.

Overall, our thinking is guided by the problems that we have experienced under the present program, whereby a farmer who diverts beyond the minimum begins to lose his price-support payment and the acreage diversion must be upped to the maximum limit in order to compensate for that, particularly at the 40-percent diverted acreage rate. We find some very unusual results have come about from this. We find that most farmers will go above the 40 percent to get the benefit of the higher land-diversion payment for all acres diverted. It has been a very difficult assignment for us to try to administer fairly and equitably across the board. The conflict is between what he loses in price-support payments and what he gains in acreage-diversion payments. We believe the authority to raise the acreage-diversion payments about 50 percent would make it possible to meet this situation.

I have not answered your specific question whether it would be 50 or 55 percent, and I am just not able to right now, because we do not know whether we will need to divert 32 million or less acres in order to obtain the desired production in some future year.

Mr. POAGE. I recognize as you say—that as a man puts more land into the reserve he will have less bushels on which to get payments.

Mr. JAENKE. Yes.

Mr. POAGE. But would it not be better in the future, generally speaking, to decrease acreage payments and increase production payments? Which would be the better, generally?

Mr. JAENKE. We do not know the answer to that. And quite frankly, sir, we have spent a lot of time trying to analyze this question over the last few months—whether we would be better off to take the same amount of money that is going into the feed grain program and apply it to the acreage diversion, or to put a greater emphasis on price supports, or whether to stay where we are right now, which is a sort of balance between the two. Within the Department of

Agriculture there, certainly, is a varying opinion as to this. It is a very difficult thing to analyze and pin down.

Mr. POAGE. I know that it is a difficult problem, but I think that it is one of our problems, one of our real problems in connection with feed grains. And since I do not see any prospects of getting any more money——

Mr. JAENKE. No, sir.

Mr. POAGE (continuing). I do not see how we can make the pie bigger—and if we cannot, then it seems to me that it would be much better to pay that money for the price support than it is to pay it for diverted land.

Mr. JAENKE. This is, certainly, a view held by a number of us in the Department of Agriculture, but I would, also, want to point out that you could make a good case with the figures for more going to acreage-diversion payments. If we would go the route you are suggesting, of putting more emphasis on the price-support payment part of the program as an inducement to get farmers in, there are two or three ways in which this could be done.

One would be to vary the price-support payment, depending upon the degree of participation, so that, as a person went above the 20 percent, he would get a higher price support payment rate on a per bushel basis.

Another way would be to limit the price-support payment to 50 percent of the production, and then you would not be working against yourself until you got to that level.

As you point out, any of these can be done with the same amount of money. This does not mean that the farmers would, necessarily, get any less. You could for example, have the price support payment at 35 or 30 cents a bushel on only half of his production, and then the remainder would be available for diversion. We would like some help and guidance on this, certainly. We have not come up with an answer. We have a lot of facts and figures and studies and analysis on it, but none of them are conclusive either way, sir.

Mr. OLSON. If you go the direction of increasing the production payments, we would remove the argument, I believe, over the release price of the Commodity Credit Corporation held stocks. I am not convinced by the statements presented so far, that you need the 105-percent release on CCC wheat when you are anticipating \$1.25 differential between the farmer in compliance and the farmer who is not in compliance.

Mr. JAENKE. Yes. That is on 45 percent.

Mr. OLSON. The signup this year, I believe, is reflecting the influential effect of the certificate program; if we increase this influence by increasing certificate values, I can only conclude that farmer response to being assured a better price is better signup. We have also provided permanent spreads between market prices and total farm return.

Mr. JAENKE. I think that you have that. I can see a real long permanent feed grain and wheat program with such application of these principles that you could regulate the amount of the direct payments according to the incentive needed to get participation and the needed production.

Mr. PURCELL. Mr. Callan, do you have any questions?

Mr. CALLAN. I think that one of the main reasons for a big signup in our area——

Mr. JAENKE. Wheat or feed grains?

Mr. CALLAN (continuing). Feed grains, would be the benefits to be received from the diversion. After you follow a year's drought, you find that the Department has a tendency to sign up a greater number of people under the acreage-diversion program than when you have a good crop in an area such as ours, because we did have an acreage-diversion payment and, probably, you would have less with the other. I think that you cannot overlook the insurance of the acreage-diversion payment program in feed grains.

Mr. OLSON. We did not overlook the insurance part of it. He gets the payment whether he has or does not have a crop.

Mr. JAENKE. You are both saying that the producer must make an effort. If he started out with a drought and it dried up his crops, he will receive these.

Mr. CALLAN. If he does not plant at all. If so, would he not receive more money than if he planted a crop?

Mr. POAGE. That depends on the individual situation.

Mr. FINDLEY. Mr. Poage mentioned the problem that might result from eliminating this 50-percent ceiling on diversion payments. I have noticed that the total acres planted to feed grains plus diversion under the feed-grain program has kept climbing which makes it appear, at least, that the productive plant for feed-grain keeps getting bigger all of the time. I am wondering what effect your diversion payments might have on this trend. Are we not pulling in more and more acreage into the feed and grain program and would not higher and more effective diversion payments tend to accelerate this trend, that is, bring in marginal land into cultivation? How do you account for the steady increase in the productive capacity?

Mr. JAENKE. It would not, in answer to the first question you raised. The new land would not be eligible for diverted-acreage payments, just the same as it is not eligible for price support and diversion payments now.

Mr. FINDLEY. It could be planted.

Mr. JAENKE. It could be planted, oh, certainly.

Mr. FINDLEY. That is what has happened on a broad scale.

Mr. JAENKE. With the voluntary program there is not a thing that you can do about this. Anyone can go out and buy land that never grew a crop of corn before, and put it into corn or into wheat. I think that is a basic problem that you face. However, the inducement of the diverted-acreage payments really would not apply to that land, because it is not eligible for that.

Mr. FINDLEY. The farmer could shift his resources from those diverted acres to other acres.

Mr. JAENKE. No, a farmer who is in the program cannot go out and get new land and turn it into feed grains. He cannot get the benefits and be a cooperator on one feed-grain farm, say in the State of Illinois, and then go into some other area and tear down trees and put in a crop.

Mr. FINDLEY. You are correct there. The question is, How do we meet this problem of pulling in extra acres? Is this problem going to keep on growing, do you think?

Mr. JAENKE. I do not know. The total acres of corn planted in 1961 plus the acres diverted under the feed grain program and corn acreage in the soil bank totaled 90.5 million acres; in 1962, 90.3; in 1963, 91.2; and in 1964, 92.4 million acres. This is only a small increase and reflects in large part, more new planting by nonparticipating farmers.

Mr. FINDLEY. That is one of our big problems in this program, is it not?

Mr. JAENKE. Well, I think the yield has been climbing very rapidly from something in the range of 55 or 56 bushels in 1960, to, probably, near 70 bushels for the current year. This has, certainly, been a major problem, but we do not foresee this reversing itself overnight. I think this is part of the hazard, so to speak, of a voluntary program. You have slippage. The person who does not come into the program does not necessarily stay within his historical plantings, and you could increase the rate and you would get some of this. However, if we move to something that says nobody in this country can plant in excess of their base or in excess of their base minus a certain percentage of diversion, we would, in effect, have a mandatory program.

Mr. FINDLEY. Where you have substitution of soybeans on diverted acres you say that there would be a reduction in payments?

Mr. JAENKE. Yes, sir.

Mr. FINDLEY. As the bill is drawn, am I correct that there need not necessarily be a reduction in the diversion payment?

Mr. JAENKE. It cannot be in excess of 50 percent of what they would have earned had they not planted those diverted acres to one of these crops. So there is at least a 50-percent automatic reduction. It may be as high as 100-percent reduction.

Mr. FINDLEY. I see, you take 50 percent off.

Mr. JAENKE. You automatically take 50 percent away by law, and then by discretion you could reduce the payment for planting soybeans on diverted acres to zero.

Mr. COFFMAN. This is not the same 50-percent limitation, which the bill would remove. This is one-half of the regular rate that would have applied to that particular land. It would still be in here.

Mr. FINDLEY. How much is that in diversion payments?

Mr. JAENKE. I would like an opportunity to check this figure with some preliminary estimates we've made, but certainly my own personal judgment would be that there would probably be no diverted payment authorized when soybeans were permitted to be grown on diverted acres.

Mr. FINDLEY. Do you anticipate that there would be a heavy utilization of this authority for substituting soybeans for feed grains?

Mr. JAENKE. On the permitted acres?

Mr. FINDLEY. Yes, on the permitted acres.

Mr. JAENKE. I think it, certainly, would have to be limited to a percent of his permitted acres—5 or 10 percent, or some figure like that. I do not think that you could turn it loose. You are working on a very close balance here, as you know, in the case of soybeans. It looks like this year—with an expansion of about 2,500,000 to 3 million acres and normal yields that we will have a good and adequate crop, somewhere in the range of 800 million bushels. We think this is, probably, going to be close to our requirements this year. This

authority would have to be administered very carefully. The Secretary commented the other day for 1965 that we would not anticipate—if the authority were there—that this would have been used this year. That is, the acreage expansion.

Mr. FINDLEY. Would it be for 1966?

Mr. JAENKE. We could not tell for 1966. We will know more next spring when the feed-grain signup and the planting intentions are out. If the need for soybeans continues to grow as we foresee, there might, possibly, be a need for using a little bit of it.

Mr. FINDLEY. Thank you.

Mr. PURCELL. Mr. Foley.

Mr. FOLEY. I will go back to my previous question as to provisions for substitution.

Mr. COFFMAN. On page 14 you will find at the top of the page in the description of the program—the feed-grain program—that the program would be limited to corn, grain sorghum, and, as designated by the Secretary, barley. The purpose of this sentence is to say that it will not apply to oats and rye. The substitution privilege applies only to feed grains that are in the feed-grain program. While we did not go on to explain that the program will not apply to oats and rye, this was our intent with this sentence—to call attention to the fact that oats and rye would not be in the program.

Mr. FOLEY. Was it not?

Mr. COFFMAN. That was how you got the right to substitute wheat for oats and rye, because oats and rye were in the feed-grain program and the legislation authorized substitution applies to any feed grain in the program.

Mr. FOLEY. Mr. Jaenke explained the other day, as I gathered it, that the sole reason for eliminating oats and rye as substitute feed grain was the difficulty of explaining the program to the farmers.

Mr. JAENKE. That is not exactly the answer I gave you the other day, sir. I would like to make sure that we get it clear. I said the other day——

Mr. FOLEY. Excuse me, if I did not understand you correctly; I will be happy to have you explain it.

Mr. JAENKE. I said the other day that the program was used by a very small number of producers. That the program was a complicating feature to the total presentation to farmers throughout the country. I said that we are making every effort to keep these programs as simple as possible, so that the extra provisions and the complicating explanations are held to a very minimum.

As part of our effort, we look at any provision of a program which is not used by farmers or for which, apparently, farmers have little or no need or desire. And on that basis we concluded that we ought not to recommend to the Congress the continuation of the substitution. Obviously, if a program is of benefit and is necessary and used by farmers, so long as I am a part of the Department and a part of the administration in these programs we will do it, no matter how complicated it is. But when it is not used, when it is, apparently, not desired by very many farmers, only 12,000 or 13,000 or 14,000 out of 3,250,000 farmers, it seems to us that it is not a necessary or desirable authority to have in the bill.

Mr. FOLEY. As to the 14,000 farmers would you not grant that they are a part of the program?

Mr. JAENKE. It may be of importance to them—it may be.

Mr. FOLEY. If the farmers are not interested in a portion of the program to utilize the provision, I, personally, cannot understand, Mr. Jaenke, how it creates a great deal of complication to the other farmers to explain something that they are not interested in. It would seem to me that the only occasion in which the departmental instrumentality would be explaining his provision would be in the area where they come in and ask about it.

Mr. JAENKE. You have to explain it to the farmer whether or not he is interested. This is the only way you can find out if it is to his interest. If he does not know about it until you explain it, you do not know until then that he is not interested.

Mr. FOLEY. And with all of the total explanation that the Department gave us on this program which has considerable complications, it is your suggestion that the adding of the two words "oats" and "rye," and explaining the number of feed grains that can be substituted creates a complication which you would have the Congress eliminate because it is of no value even though it affects 12,000 to 14,000 farmers.

Mr. JAENKE. I think there is one other aspect of this, Congressman Foley, which we touched on the other day just about the time that the committee had to adjourn. We do not need any reduction in oats and rye. The production of both of these crops—certainly, in the case of oats—is going down very substantially. No major supply conditions exist so far as surplus stocks are concerned. The effect of this amendment would be to further reduce production. And for us to pay for the reduction of oats and rye does not make sense when we do not need a reduction in oats and rye. I think this must be kept in mind from the standpoint of considering whether or not it is wise public policy to include this special exemption for 12,000 or 14,000 farmers.

Mr. FOLEY. This is exactly what I was trying to do, to reach that question. I asked if there was any other reason outside of the administrative convenience why this was not included and is this the Department's reason for eliminating it.

Mr. JAENKE. I have given three reasons.

Mr. FOLEY. I hope you will excuse my persistence, but this is the first time it has been suggested that there is some economic situation that has something to do with it.

Mr. JAENKE. I am sorry that I did not present that earlier and clearer the other day.

Mr. PURCELL. Are there any other questions of Mr. Jaenke?

Mr. LATTA. As you indicated earlier, at least 5 to 10 percent of these acres would be permitted to grow soybeans.

Mr. JAENKE. I just used this as an example, sir. I would say in the case of 1965, with conditions as we now know them, there would be none. The Secretary would not use the authority in 1965. Conditions do not warrant it. In some future year, he might use it to the extent of 1 or 5 or 10 percent or whatever the figure would be.

Mr. LATTA. How would it be determined which farmer would be permitted to grow soybeans and which farmer would not be permitted to grow soybeans?

Mr. JAENKE. We would not make it on an individual farmer basis. If he was a participant in the program and had diverted 20 or more percent of his acres, then assuming that the Secretary made a determination that we needed more beans, he would be eligible to plant 3 or 5 or some certain percent of his diverted acres to soybeans.

Mr. LATTA. Do you mean to tell me then that if he had 15 acres of feed grains as a base or 30 acres as a base, that the Secretary would say, "We need 5 percent," and each individual farmer would be permitted to put that amount into soybeans?

Mr. JAENKE. Yes, sir.

Mr. LATTA. It is hardly worthwhile, is it?

Mr. JAENKE. On the aggregate, this might mean an extra 50 or 75 million bushels for production of beans which might be vitally important to the continued export earning power of this commodity and toward avoiding the price problems and the loss of markets that have occurred as a result of some of the very unusual strength in prices in recent years.

Mr. LATTA. Thank you. That is all.

Mr. PURCELL. Thank you very much, Mr. Jaenke.

The next witness to be heard from will be the National Farmers Union, Mr. Reuben Johnson.

First, Mr. Latta wants to insert something into the record.

Mr. LATTA. I would like to insert something into the record. The Ohio Agriculture Experiment Station has just conducted a poll and about 42 percent of the farmers were contacted in this State who said that they would participate in a long-term crop and retirement program if it was offered.

Mr. JAENKE. There is another section in this bill that covers that.

(The article from the Daily Sentinel-Tribune, entitled "Ohio Farmers Receptive to Federal Plans?" follows:)

[From the Daily Sentinel-Tribune, Bowling Green, Ohio]

OHIO FARMERS RECEPTIVE TO FEDERAL PLANS?

WOOSTER.—Ohio farmers may be receptive to new approaches in Government farm programs, according to research economists at the Ohio Agricultural Experiment Station.

Dr. John S. Bottum and Lonnie L. Jones asked nearly 300 Ohio farmers how they felt about various farm programs, including the old and the new ideas.

About 42 percent of them said that they would participate in a long-term cropland retirement program if it was offered.

Reaction to the traditional farm programs of recent years showed that 41 percent of the farmers would rather have no Government programs. Twenty-four percent preferred a voluntary land diversion program.

Another 17 percent favored long-term, whole or partial farmland retirement. Only 3 percent said they wanted market quotas.

The group wanting a free market with no Government program was split 60-40 on when to drop present programs. The majority said that such programs should be dropped at once.

The other 40 percent favored gradual elimination over a period of from 2 to 10 years.

A new idea which received strong support from the farmers in the study would replace individual crop acreage allotments with a grain base for a whole farm.

Under this plan, a farmer could plant as much of as many crops as he wished, so long as his total crop acreage did not go over his grain base. Slightly more than two-thirds of the 289 farmers in the study favored this idea.

More than a third of the farmers said they would attend evening classes in local vocational or technical schools for a 1- to 2-year period if it trained them for a job within their community.

Ten percent said they would be interested even if it trained them for a job that required their moving out of the community.

Mr. PURCELL. Mr. Reuben Johnson, you may proceed.

STATEMENT OF REUBEN JOHNSON, NATIONAL FARMERS UNION

Mr. JOHNSON. Mr. Chairman, before I introduce the representatives of the board of directors of the National Farmers Union I would like to introduce a delegation of Texas farmers with us today. And, Mr. Chairman, at the conclusion of our testimony here I would like to ask permission for several of these men to make brief comments.

I would like to introduce Mr. Kenneth Halbert, of Crowell, Tex. Please just stand up and remain standing until I have introduced all of you.

Mr. Ted Ford, of Rosebud, Tex.

Mr. Clarence Stock, of Rosebud, Tex.

Mr. Carl King, of Dimmitt, Tex.

Mr. Shirley Garrison, of Dimmitt, Tex.

Mr. Preston Sampler, of Olton, Tex.

Mr. Earl Lamb, of Amarilla, Tex.

At the outset, Mr. Chairman, I would like to call on Mr. Leonard Kenfield, who is president of the Montana Farmers Union to present a statement, after which I would like to call on Mr. Radcliffe.

Mr. PURCELL. We will be glad to hear from you now, Mr. Kenfield.

STATEMENT OF LEONARD KENFIELD, PRESIDENT, MONTANA FARMERS UNION, AND MEMBER, EXECUTIVE COMMITTEE AND BOARD OF DIRECTORS OF NATIONAL FARMERS UNION

Mr. KENFIELD. Mr. Chairman and members of the committee, my name is Leonard Kenfield. I am president of Montana Farmers Union and a member of the executive committee and board of directors of National Farmers Union.

Speaking for the Montana Farmers Union, particularly, but also for the National Farmers Union, I urge approval of the amendments to H.R. 7097 to be presented by Mr. Radcliffe. Montana has been hard hit over a long period of years by the recession in farm prices resulting in substandard income levels for most families. Our State has suffered even more than other regions since we are subject to the hazards of deficient moisture and at times nonexistent rainfall. Low prices, high costs, hazards of climate have made the position of our farmers untenable. We have been receiving reports from our members indicating their section F reports of their income tax returns. These are anonymous. They do identify the farms, and the counties, but believe me, they are eye openers. It shows a condition that is very, very serious. In many cases very little net gains for 1964; in some cases losses. Just how we are going to continue into another year under these circumstances, I do not know. These factors have resulted in a declining farm income considering increased cost of operation, a situation in which far too many farmers are forced to give up their chosen livelihood and seek employment elsewhere.

The current agricultural situation makes passage of the farm bill more necessary than ever before. I must say it has to have more money

in it than it has now. The causes of farm income are obvious to all of us who have been through the wringer and have been subjected to skyrocketing market costs, to manipulation of prices in the marketplace, and to an ever-decreasing share of the consumer dollar. I would like to say here, too, that the growing farm condition hurts not only the farm people, but rural businesses and services and even the schools and the churches. At least that is true in our State. The American people, it appears, have been subsidized over a period of years since retail prices for food have increased less proportionately than other items in the consumer budget.

A few figures will point up this situation. There have been, since World War II, relatively few prosperous years. The figures indicate that the best year from the income standpoint for the American farmer was 1948. According to the President's Council of Economic Advisers, the net farm income in that year amounted to \$18.1 billion. Production costs amounted to \$18.8 billion and income per farm, \$3,065. Personal income of the Nation amounted to \$189.3 billion. Since that time, personal income and gross national product have increased greatly. GNP in 1964 amounted to over \$600 billion. At the same time that other segments of the population are prospering, farmers are experiencing a drastic decline in their share of the Nation's income. Net income of farmers in 1964 amounted to a little over \$12.5 billion—a drop of nearly one-third since 1947.

Causes of declining farm income may be in part found in a recent publication of the Department of Agriculture titled "Farm Return Spreads for Food Products, 1947-64." We have gone through this publication and selected certain figures which may be of interest to the committee.

The first striking statistic relates to the farm market basket.

In January-March 1947 the typical American family of four spent \$827 for food. Farm value of this food was \$426. The farmers share was 52 percent.

In December 1964 the typical family spent \$1,020 on food. While the expenditure for food increased by about one-fourth, the farm value of the market price by 1964 decreased to \$375. The farmer's share of the consumer dollar declined to 37 percent.

We have selected a few commodities to highlight the price spread situation. In 1947 Choice grade beef cost the housewife on the average of 61.8 cents per pound. The farmer got 48.2 cents of this or 68 percent. By 1964 the housewife was paying on the average of 77.8 cents for Choice grade beef. The farmer got only 46.6 cents of this or 54 percent. The spread increased during the period from 20 to 35.4 cents.

The price of pork during the 1947-64 period actually decreased from 59.9 to 56.4 cents per pound. The farm value decreased slightly from 30.5 to 30.2 cents. The spread between what the housewife paid and what the farmer got increased from 18.5 to 29.8 cents. Percentage-wise, the farmer's share declined from 69 to 47 percent.

During the 1947 period the housewife paid 36.6 cents for a half gallon carton of milk, the farm value of which was 21 cents, the spread 15.6 cents and the farmers share 57 percent of the consumer dollar. By 1964, the price of milk on the average for a half gallon carton had increased to 47.7 cents but the farm value had only increased by 21.7

cents. The spread increased from 15.6 to 26 cents. The farmer's share declined from 57 to 45 percent.

In 1947 the housewife paid on the average 11.9 cents for a pound loaf of bread. Of this the farmer got 3 cents for the wheat in the bread and 3.7 cents for all the ingredients including the wheat. The spread was 8.2 cents and the farmer's share was 25 percent. By 1964 the price of the bread had almost doubled to 20.7 cents per pound loaf while the farm value of the ingredients had actually declined.

Farmers during that year got only 2.5 cents for the wheat in the bread and 3.2 cents for all ingredients. The spread in cents had almost doubled, increasing from 8.2 to 17 cents. Percentagewise, the farmer's share declined from 25 to 12 percent.

We are attaching to our statement a small table which includes these figures.

Our concern is that certain groups engaged in the processing and distribution of food products have increased their share of the consumer dollar at the expense of the farmer. As indicated, farm prices have either stayed about the same or have declined over a period of years and farm costs have skyrocketed.

Incidentally, that is borne out by those sections of the reports that I was telling you about in the beginning.

Those engaged in the sale of farm machinery and supplies have been able to demand from the farmer higher and higher prices. The farmer suffered greatly because of this situation but even more important was subjected to a market situation in which competition was not strong or was nonexistent. Processors and distributors, including chainstores and national food corporations, have been able to exert the greatest market power known in our history.

At this point we would like to compliment this committee for expediting the extension of the National Food and Marketing Commission, which we hope will shed much light on the cause of the economic decline of the American farmer. We commend particularly the chairman of this committee for the introduction of the original legislation and also for studies which this committee has made in regard to the price spread situation. It may be recalled that our national president, James G. Patton, commented in testimony before this committee when the National Food and Marketing Commission was approved, that this committee, probably more than any other group or agency in Washington, had contributed to an understanding of the position of the farmer in regard to the sale of his products and in their distribution to consumers. We certainly appreciate your help on this.

The farmer today is in a position of a drowning man who has already gone down twice. Many of our farmers, if they go down one more time, will be completely wiped out and you will be well down the road toward a feudal agriculture similar somewhat, perhaps, to the situation which exists in the poultry industry.

We in agriculture need desperately the help of the House Agriculture Committee to correct these inequities. We urge that as you consider the wheat and feed grains titles that you amend the bill in ways that will increase farm income because this is the only way that family farmers will be able to maintain their bargaining power in an economy of economic giants in every other sector of the food industry.

May I say that the farm people, who have been doing a magnificent job in providing food and fiber for the Nation and even buttressing

and building and strengthening our Nation's activities and welfare overseas, it seems to me deserve fair treatment in our economy.

With your permission, Mr. Chairman, Mr. Ben Radcliffe will make a brief statement after which we will be glad to submit to your questions.

Mr. PURCELL. We will be glad to hear from you now, Mr. Radcliffe.

STATEMENT OF BEN RADCLIFFE, PRESIDENT, SOUTH DAKOTA FARMERS UNION, MEMBER OF THE EXECUTIVE COMMITTEE AND BOARD OF DIRECTORS OF THE NATIONAL FARMERS UNION

Mr. RADCLIFFE. Chairman Poage, Chairman Purcell, and members of the Livestock and Feed Grains, and Wheat Subcommittees, my name is Ben Radcliffe. I am president of South Dakota Farmers Union and a member of the Executive Committee and Board of Directors of Farmers Union.

My statement is brief.

Looking over the roster of the two subcommittees, we note that there are six members whose tenure in Congress is less than 3 years and five members whose tenure in Congress is less than 1 year.

We seriously considered, Mr. Chairman, including in our statements a more comprehensive review of the economic disadvantages of American agriculture. Mr. Kenfield briefly has described this situation. The decision was made not to belabor you with a lengthy discourse on the economics of agriculture is directly attributable to the fact that in the last election farmers elected, throughout the Midwest, many new representatives to Congress who they believed would be able to assist in the development of farm programs to raise farm prices and income.

We are proud that 11 new Members elected to the 89th Congress are serving by choice on the House Agriculture Committee and that 5 of these new Members are represented on the Livestock and Feed Grains and Wheat Subcommittees.

During the last campaign, members of the subcommittee repeatedly pointed out the need for farm programs that would substantially increase prices and income. It is a source of satisfaction to us in Farmers Union that they were elected to Congress and we sincerely hope that they will be able to return home and campaign in 1966 on a platform of solid achievement in behalf of their family farmer and rural constituents.

Let me hasten to add that we are cognizant as well of the contributions of the chairman and other members of the committees to the welfare of agriculture over the years. Congressman Poage, who ranks next to Chairman Cooley and is chairman of the Subcommittees on Livestock and Feed Grains, Conservation and Credit, and Foreign Agricultural Operations, has championed farm programs and the goal of increased farm income since he came to Congress in 1936.

Let me say, too, that you have many, many good friends in South Dakota because of the staunch support that you have given the family farmers over the years.

We are deeply indebted also to Chairman Graham Purcell, of Texas, one of the chief architects of the wheat certificate program who also recognizes the current need of farmers for improved farm programs to provide additional income.

Chairman Cooley, in his rebuttal to Director of the Budget Kermit Gordon, reaffirmed once again his concern for the economic welfare of farm families.

All of us here today recognize the pressures under which our capable and dedicated Secretary of Agriculture, Orville Freeman, is working. These pressures are not new but as the number of farmers and their representation in Congress has declined, we have faced increasing difficulties. These difficulties were compounded by the fact that a major propaganda effort of the antiforces in agriculture resulted in defeating the wheat referendum in 1963.

We all recognize that voluntary programs are more expensive than programs through which effective control over supply make possible higher support prices at minimum cost to Government.

In spite of these difficulties, we are confident that members of the Feed Grains and Livestock and Wheat Subcommittees and most of the spectators in this room are painfully aware that the survival of our family farm system of agriculture depends upon the action of this subcommittee, the full House Agriculture Committee, and the Congress concerning farm legislation this year. In this connection, Congress, has, of course, the last word.

No agency of the executive branch, including the Budget Bureau, can dictate to the Livestock and Feed Grains and Wheat Subcommittees, to the full House Agriculture Committee, or to the Congress a course of action that it should take on any given legislation, and that includes farm legislation this year. It is on this premise that we come before you today to plead the case for increasing the income of family farm agriculture.

We offer for your consideration a number of amendments that we sincerely believe will help in attaining this objective. We are believers in farm programs as well as pragmatists in terms of what it realistically may be possible to attain. All we ask is that you raise farm income to the highest possible level attainable considering the climate that exists in the Congress.

To guide you in your deliberations, we respectfully offer the following amendments to the bill submitted by the administration; we will be happy to discuss any of these points when I conclude:

(1) Five-year extension of the wheat and feed grain programs and wool.

We know that it is difficult for farmers to make long-range plans and we know that it is very difficult when programs are extended on just a 1- or 2-year basis.

(2) The establishment of a price floor on wheat to 100 percent of parity, repealing the sliding scale for both domestic and export wheat. Further, we urge that a limitation either on a graduated basis or otherwise be placed on the value of certificates to fully protect the family farm wheat producer.

And we hope that you retain the wheat certificate at its full value.

(3) Sale of wheat by CCC at 120 percent of the price-support loan rate.

(4) The establishment of a common wheat-feed grains base.

This would be good for long-term planning on the part of the family operator.

(5) A price floor on feed grains at 100 percent of parity, with provision for limiting the program—either on a graduated basis or otherwise—to bona fide family farmers.

(6) Eliminate title III which would authorize a marketing certificate for rice. In this connection, Mr. Chairman, we have no objection to retaining a graduated support program to increase returns to the small producers. We see no reason for substituting a marketing certificate program for the mandatory supply management program that producers have repeatedly approved and which has served to maintain income to ricegrowers. A new program is untried and untested. The existing program has proved its worth and this is the basis for the position that we are taking in regard to rice. We recognize that title III on rice will be considered by the Oilseeds and Rice Subcommittee at a later date.

(7) The historical and traditional position of Farmers Union concerning the idling of cropland has been that emphasis should be given to profitable uses of such land. Further, we have consistently opposed retirement of whole farms which would be permitted under title V, the cropland adjustment section of the administration's farm bill. While we are not opposed to a cropland conversion program with emphasis on developing income potentialities of cropland, we will strongly oppose any provision which authorizes a massive cropland retirement program. Further, we will object equally as strongly to retirement of whole farms which encourages the acquisition of land by speculators and nonfarm interests with risk capital invested in farmland as a hedge against inflation. Attracting nonfarm capital in these ways will result in further increasing the value of farmland, restricting entry into farming of young people, and imposing upon farmers who need to acquire land for an efficient unit the need for additional capital which in all too many instances has no relationship to the agricultural productive capabilities of the land.

(8) Strike title VI which authorizes sale and lease of allotments or quotas.

We are unalterably opposed to creating a climate in which vertical integrators could expand their control by promoting their buying further into the production of farm commodities. While safeguards are proposed to prevent this, the vast majority of the board of directors and members of Farmers Union believe that authorization for sale or lease of allotments would weaken our family farm structure of agriculture and result in further depleting the number of farmers.

On behalf of our national president, Mr. James G. Patton, the Executive Board, and Board of Directors of Farmers Union, I want to express our appreciation for your kind attention.

We will be very glad to try to answer any questions that the chairman or members of the subcommittees may have.

With your permission I ask consent to have inserted in the record a copy of the short-range or target program which was adopted by the delegates of the convention of the National Farmers Union March 15-18 in Chicago, of this year.

If there are questions, we will be pleased to respond.

Mr. PURCELL. Will you state again what it is that you want to insert into the record?

Mr. RADCLIFFE. At the last convention of the National Farmers Union in Chicago we adopted what we call our "Target Program," or "Short-Range Policy Program." It is a two-page target-type program. I would like to have it put in the record.

Mr. PURCELL. That will be made a part of the record at this point. (The document referred to follows:)

TARGET PROGRAM ADOPTED BY DELEGATES, CONVENTION OF NATIONAL FARMERS UNION, MARCH 15-18, 1965, CHICAGO, ILL.

Net realized farm income for 1964 was \$12.6 billion, far below the income needed by millions of working farm families for a decent standard of living.

Our Nation can ill afford to neglect a system of agriculture which has made the United States the most productive in the world, and which produces food and fiber at a lower cost to the consumer than any other nation in history.

The economic future of the United States is irrevocably tied to the economic strength of our farms and rural areas, including main street business. Simple justice dictates that farm families are entitled to a fair share of the Nation's income. Net farm income of \$12.6 billion annually as compared to the value of all goods and services produced and sold in our Nation means that 8 percent of the population—American farm families—receive less than 3 percent of our national product.

The administration and the Congress must be alert to those who in the name of "efficiency" seek to destroy our family farm structure through fostering policies which will further reduce the number of our Nation's farmers. The number of U.S. farms has decreased by 100,000 in the past year and by over 1,300,000 in the past 10 years.

We have a strong, new Congress and it has an obligation to take care of the unfinished business before us and to prepare the way for a new agenda and a package of farm commodity programs to raise farm income substantially in keeping with well-defined standard of parity income. This worthy goal should command our national attention and our national devotion.

Accordingly, we present the following specific legislative program to the Congress and call for immediate action.

1. Congressional policy on the family farm

A Senate-House joint resolution reaffirming a national policy of preserving and strengthening a family-farm agriculture in which there is opportunity for farm families to stay on the land and provision for the entry of young families into farming.

2. Farm income

Recognizing that the Congress will determine this year future programs for wheat, feed grains, cotton, dairy, sugar, and wool, we strongly urge a package approach as the best possible strategy to get the support needed for passage of farm legislation. With the cooperation of Congress, we pledge our efforts to work for unity in agriculture already demonstrated by a Washington meeting of 24 rural and farm organization representatives who signed a joint statement calling for an adequate farm program budget and a strong family farm agriculture. We call for exclusion of nonfarm interests from participating in farm price supports. As minimum steps, we support commodity program improvements as follows:

WHEAT AND FEED GRAINS

(a) The present voluntary certificate program for wheat and the present program for feed grains should be extended for 5 years with the wheat certificate value and the support price (including payment) of feed grains for family farmers increased to reflect parity of income.

(b) The basic support rate should be maintained at a level that will encourage compliance and should not be reduced to such a level that will encourage excessive livestock production.

(c) Interchange of plantings should be permitted between feed grains and wheat with a common wheat feed grain base.

(d) Adequate payments for land diversion should be continued until such time as the direct payment is large enough to compensate for the loss of the diversion payment.

(e) No Commodity Credit Corporation inventory of wheat should be disposed of at less than 120 percent of the support price and other policies concerning CCC marketings should be directed toward strengthening the regular market structure.

COTTON

(a) A 5-year program to permit cotton to be competitive in the international market with price support to include direct payments to producers along the lines of the Talmadge-Humphrey bill.

(b) Direct payments should be made in such a manner as to protect the family-farm cotton producer. Family-farm producers must be assured of parity returns on both cotton and cottonseed.

(c) The basis of price support should be reestablished at $\frac{7}{8}$ -inch Middling, beginning with the crop year 1965.

(d) Provisions of present law concerning release and reapportionment should be amended to provide that a grower keep his acreage at his discretion without the necessity of planting any cotton and to provide for a method of factoring reallocations so that when quarter-a-bale to the acre allotment is transferred to a bale to the acre production area, 4 acres will only be transferred as 1 acre.

(e) In the administration of the cotton program, it is important that a larger acreage reserve be set aside for those who are trying to establish economic units of production.

(f) A program of aiding needy families in obtaining cotton mattresses, blankets, and clothing under the direct distribution and food stamp plan should be instituted.

DAIRY

(a) Continue present price-support authority and vest the Secretary of Agriculture with power to use supply, demand, adequate reserves, farm income, and related factors for the purpose of achieving parity of income levels for commercial family farmers.

(b) Authorize the establishment of Federal orders for manufacturing milk which permits classified pricing of milk used in manufactured products, and also authorize use of direct payments where necessary to effect parity of income for commercial family farmers while stimulating the distribution and consumption of any one or all of these products.

(c) Amendment of Public Law 480 to permit purchase by the Government of dry milk, butter, and cheese without regard to supply or market price.

LIVESTOCK

When Government purchases of livestock products are made, the program should be designed to insure direct price benefits to farmers and ranchers. Further, we call for a standby program of incentive payments for lightweight marketings and for increased efforts to expand export trade in livestock products.

WOOL

(a) A progressive system of direct payments that will increase the incentive payment to family-farm producers.

(b) Wool legislation should be included in the comprehensive bill along with wheat, feed grains, cotton, and dairy.

CONSERVATION

We call upon Congress to restore the cuts proposed in the budgets of the Soil Conservation Service and in the agricultural conservation program which would result in loading costs on farmers of technical services and conservation measures essential to the long-term national interest in prevention of soil and water depletion and to assure that food and fiber needs of future generations will be met.

Mr. JOHNSON. I would like to have our delegates from Texas make brief comments. Would you prefer to have that done before we submit the questions, or after?

Mr. PURCELL. Are these statements very brief statements?

Mr. JOHNSON. They are very brief statements. We recognize the pressure under which you are operating here. I will ask again that our group keep their statements as brief as possible.

Mr. PURCELL. Very well.

Mr. JOHNSON. First, I would like to call on Mr. Carl King, of Dimmitt, Tex.

STATEMENT OF CARL KING, DIMMITT, TEX.

Mr. KING. Chairman Purcell and members of the Feed Grain and Livestock and Wheat Subcommittees, in relation to the feed grain program I would like to state that I am a tenant farmer. I have with me my own records of production costs per acre for an acre of milo. It is primarily milo in our area that we raise. And also I have a letter from the banker and other lending institutions. I would just like to point out that the cost of producing an acre of milo on my farm runs approximately \$61.75 an acre. I am personally in favor of the long-range feed program that is proposed, and farmers of my county are in favor of it, but we are going to have to go to a long-range basis. We need to have higher prices, because things are not going down that we buy. And I would like to quote one paragraph here from this letter from Mr. Edd C. McLeroy, who is vice president of the First State Bank of Dimmitt, Tex.:

If the present cost price squeeze continues it will only be a matter of time before private lending institutions cannot meet these loan demands of many farmers and other businessmen of this country.

I have the full letter here, but due to time I will not read it.

Mr. PURCELL. You may insert the full letter in the record.

Mr. KING. I would like to insert the full letter in the record with your permission.

(The letter dated April 10, 1965 follows:)

FIRST STATE BANK,
Dimmitt, Tex., April 10, 1965.

To Whom It May Concern:

During the past 5 months much has been written and said about farm economic conditions on the High Plains of Texas.

Any group of people, that are proud of their own communities and their accomplishments, like to feel that they are able to progress despite the various adversities that have to be faced. So far, most farmers and other businessmen, of Castro County, Tex., have been able to survive despite the cost-price squeeze.

After analyzing bank deposits, loan demands and the income tax returns of numerous farmers, it has become evident that the margin of profit left in farming is about as low as most farmers can stand. At present, 5 percent of the farmers, in Castro County, are in serious financial trouble. If adverse weather conditions exist during 1965, an additional 10 percent of the farmers will be in financial trouble as they enter the 1966 cropping season.

It would be erroneous to blame the present economic conditions on the drop in price of any one particular commodity. However, a combination of lower prices for grain sorghum, wheat and cotton, our basic crops, and a continued rise in production cost can only lead to financial distress.

Our records show that production cost, per cultivated acre, has doubled since 1957, but the net income, per cultivated acre, has only risen 15 to 20 percent. As a result of the continued cost-price squeeze, lending agencies have had to tighten lending policies.

This change in policy is not only having its effect on the farmer but the suppliers of goods and services that the farmer must have in his business.

If the present cost-price squeeze continues, it will only be a matter of time before private lending institutions cannot meet the loan demands of many farmers and other businessmen of this county.

Respectfully submitted.

EDD C. McLEROY, Vice President.

Mr. JOHNSON. I would like to ask that these expense figures that he has brought along, showing the cost of production on his farm be inserted into the record.

Mr. PURCELL. They may be.

(The tabulation, entitled "Feed Grain: Cost Per Acre To Market Milo," follows:)

Feed grain: Cost per acre to market milo

Shredding-----	\$2.00	Fertilizing-----	\$12.00
Tandem disk, 3 times-----	4.00	Planting -----	4.00
Breaking -----	5.00	Cultivating -----	7.00
Tandem -----	2.00	Irrigation -----	12.00
Floating -----	1.25	Cutting and hauling -----	8.50
Listing -----	2.00		
Rod weeding or herbicide -----	2.00	Expenses -----	\$61.75

Return from 1-acre milo, at 6,000 pounds before rent is paid at \$2 per hundred, \$120.00.

Gross-----	\$120.00	Expenses-----	\$61.75
Rent-----	40.00		
		Net before depreciation ---	18.25
Return to renter -----	80.00		
		Rent = 1/3	\$40.00 / \$120.00

Mr. JOHNSON. I would like next to call on Mr. Shirley Garrison, also of Dimmitt, Tex.

STATEMENT OF SHIRLEY GARRISON, DIMMITT, TEX.

Mr. GARRISON. Mr. Chairman and Members, I would like to state first that I am a farmer and that I do own my own land, but I am paying for it, which puts me back in the tenant class.

I would like to say that we are in support of the National Farmers Union program. We believe that a longer range program and some increase in the price support is necessary for us to stay in business.

A group of our neighbors sent us up here. They took their own money out of their own pockets to send us up here. And about 174 signed a petition here which I will not ask to be inserted into the record, but I will leave it with the clerk for the benefit of the committee, if you would like to see it. It is too long to put into the record.

We would like to say this about a long-range program, that we have been farming under a 1- and 2-year program for several years and it is almost impossible for us to plan our operations where we have to buy machinery. The margin is getting so close that if we cannot have a longer range program it is becoming more difficult each year to replace our machinery that is wearing out.

Thank you.

(The list of names will be found in the files of the committee.)

Mr. PURCELL. Thank you.

Mr. JOHNSON. Now, Mr. Chairman, I would like to call on Mr. Kenneth Halbert of Crowell, Tex.

STATEMENT OF KENNETH HALBERT, CROWELL, TEX.

Mr. HALBERT. I am Kenneth Halbert. I would like also to add this: We represent the farmers of our country and we are thankful to the Congressmen and thank them from the bottom of our hearts for what they are doing for us in the program that we have this year and hopefully improved in income after this year. I have a letter here from my banker that I would like to insert into the record. It will verify the fact that we have lost in recent years 30 percent of our population. The bank accounts are down. And if that continues as a trend we will lose 30 or more percent of our population in a short time.

I am a real farmer. My son and I, who is a senior in high school this year, are doing the work in our operation. I am telling you that we are having a hard time. And our standard of living is not too good.

So far as the feed-grain switch that we are talking about here is concerned, I have a record here that 415 farmers out of 514 farmers in our county made the switch this year.

Thank you.

Mr. PURCELL. The letter may be made a part of the record.

(The letter dated April 10, 1965, from the Crowell State Bank follows:)

CROWELL STATE BANK,
Crowell, Tex., April 10, 1965.

KENNETH HALBERT,

Representative of Foard County Farmers Union to Washington meeting.

Some 30 years ago a farm wheat program was established to meet an emergency condition. Today we still have this emergency. The primary purpose was to attain a "parity price" for wheat and cut down on overproduction—we still have the same problem.

During these 30 years around 30 percent of our farmers have been frozen out. Total farmers contracts have gone down from over 700 to just over 500. We have lost over 50 percent of our population. (Figures for Foard County, Tex.) We are faced with the loss of another 20 to 30 percent of our farming population. The smaller farmers will not be able to maintain satisfactory living standard.

The present farm program will, in my estimation, help us attain a parity price for around 45 percent of our production. This much will be behind us—it has been our goal.

To this should be added the following goals:

1. We need to carry over around 450 million bushels of wheat as a safety program. For practical purposes wheat cannot be stored for over 3 years, therefore 150 million bushels a year should be added to the above 45 percent parity wheat price. The Nation should ask the American farmers to maintain this 450 million bushels under a parity price.

2. The Nation's goal is to ship wheat and its products to "have not" and starving populations. Therefore—

A. The Nation's planners should strive to attain a better price for our farmers as long as world prices are below parity, for wheat shipped under any "give-away" program. (The Nation's industrial sections do not ship under parity.)

B. Any wheat to be sold and produced by our farmers on the world market should go at the "going price".

Yours very truly,

MERL KINCAID.

Mr. JOHNSON. Mr. Stock, do you have anything to add at this point?

Mr. STOCK. I do not think so. I think it has been well covered.

Mr. JOHNSON. I would like to call on Mr. Ted Ford of Rosebud, Tex.

STATEMENT OF TED FORD, ROSEBUD, TEX.

Mr. FORD. Mr. Chairman and Members, I want to remind you—I know you are busy—of one thing. Whenever a bunch of farmers pull money out of their pockets and tell us, as they have, “Boys, go up there and get anything any way you can.” Your bankers and your little-town people, in the little town that we live in, and the merchants pulled money out of their pockets to do this, I am asking you to remember that.

It is pretty rough when they go to that extent.

Thank you.

Mr. PURCELL. Thank you.

Mr. JOHNSON. I do want to reiterate the fact that these gentlemen here are here at the behest of their own neighbors, not only at the behest of their own neighbors, but their neighbors paid their way to come here. And they are going to be in town for several days. I suspect that maybe they will be calling on some of you individually in the next day or so.

Mr. Chairman, with that we would be happy to submit to any questions that the members may have.

Mr. PURCELL. Are there any questions?

Mr. CALLAN. I agree with you that the farmer's income is much too low. And that we have to do something about that. I think the record ought to point out that in 1959 and 1960 the net farm income was down around \$11,200 million, and as the result of these programs it did go up to \$12,500 million in 1961. And it is hanging around \$12,500 million now, which is far too low. I know that the programs have not been perfect, but I think that as a result of the feed grain and wheat programs that we have had in the last few years, the farm income is better—the net is better than it was in 1960. Is that not true?

Mr. KENFIELD. There is about \$1 billion a year more now. And that helps, certainly. We would like to point out that in these years the production expenses have gone up tremendously, too.

Mr. CALLAN. I was talking about the net income. The net income is \$1 billion higher than it was in 1960.

Mr. KENFIELD. That is right.

Mr. CALLAN. According to the statistics.

Mr. KENFIELD. But not high enough.

Mr. CALLAN. I agree with you.

Mr. PURCELL. Are there any other questions?

Mr. REDLIN. Mr. Radcliffe, may I inquire of you as to point No. 3 in your statement as to the suggested changes in the bill that we are considering where you say, “The sale of wheat by Commodity Credit Corporation at 120 percent of the price-support loan rate.” I have a particular commodity interest in that. What is your reason as to why you support that proposition?

Mr. RADCLIFFE. To differentiate on commodities, I think it was pointed out earlier today that the real price spread between the complier and noncomplier—I think it was Congressman Olson who talked about the real spread in income between participators and nonparticipators of something like \$1.20 a bushel. There is no reason, in my opinion, why the resale or sellback into the market should not be raised

to, at least, 120 percent of the support price. There is not the danger here of noncompliance as there would be in the case of feed grains. And so we particularly point to this in the case of wheat as something that we believe should be changed.

Mr. REDLIN. You have said that it would not be of any disadvantage to the compliers. Do you also then believe that it would be of benefit to the producers?

Mr. RADCLIFFE. Certainly, it would be of benefit to the producers.

Mr. REDLIN. Why?

Mr. RADCLIFFE. Because if the Commodity Credit Corporation was restrained from pouring its supplies or the surplus that is on hand in the Commodity Credit Corporation stocks into the market—if they were restrained from pouring this into the market at any lesser price than the 120 percent of the support price we can assume that the normal market price would rise to that point. In effect, in a time of surplus this sellback into the market becomes a ceiling, so far as the cash prices are concerned. We would like to see that ceiling raised, indeed it is a ceiling sometimes from 105 of the support price to 120 percent.

Mr. REDLIN. I have no further questions. Thank you. Rather, I have one further question.

You support 120 percent for wheat, perhaps you would not be as strong for this proposition for feed grains?

Mr. RADCLIFFE. We are not nearly as adamant there. We think that there might be some problem in the case of feed grains.

Mr. REDLIN. You would not be for that for feed grains?

Mr. RADCLIFFE. My personal opinion is that I do not think that it would be feasible to go to 120 percent on feed grains. It might be possible to raise it some, but I doubt if 120 percent would be the feasible target to shoot for.

Mr. REDLIN. Thank you.

Mr. PURCELL. Do you have any questions?

Mr. FOLEY. Mr. Chairman, I want to compliment both Mr. Kenfield and Mr. Radcliffe and the other members of the National Farmers Union who are present here today. They have made a very precise and clear case that will be helpful.

I am a little concerned with the suggestion that we ought to have a limitation—I will repeat, I am a little concerned with your suggested amendment in which you recommend a limitation on the value of the certificates on a graduated basis or otherwise to fully protect the family wheat producer—that is your language. How do you feel that would assist the family farmer?

Mr. KENFIELD. I would suggest, Congressman Foley, that this does not mean to limit the value of the certificate as such, but to limit the distribution of the certificate to the family-type farms.

In other words, let us not make these payments to nonfarmers. Let us stop making this program available to nonfarmers, but have an upper limit somewhere, some reasonable limit, so that those who are working and living on the land will have an opportunity to stay there and have some security, to meet their obligations and to carry out their work and to have this available to them.

Mr. FOLEY. Do you have any suggestions as to the limitation?

Mr. KENFIELD. Mr. Patton suggested something like a \$5,000 limit on Government payments to the family farm operator. When you

get into this area you find differences of opinion. However, there is another idea that is being discussed to some extent and, that is, to certify bona fide family farmers, probably through the State and county ASCS committees. To set up the criteria, one aspect of which would be to define a farmer as one who is getting the major part of his income from farming. This criteria should clearly indicate that these people are on the land maintaining the communities, carrying out agricultural activities and who would be entitled to this kind of program. In the long run, this would strengthen and support our communities as well as the family farm system of agriculture. This would, of course, eliminate lawyers, doctors, dentists, and others who are in farming as a hobby or for tax dodging purposes or for other reasons.

Mr. FOLEY. Would not this suggestion work a hardship on commercial farmers who are actually farmers living on the land?

Mr. KENFIELD. I beg your pardon?

Mr. FOLEY. You do not intend to work a hardship on commercial farmers, do you?

Mr. KENFIELD. Oh, no. This is to support them—to strengthen their activities, you see.

Mr. FOLEY. And you do recognize that in various commodities in various sections of the country that the size of farms differ?

Mr. KENFIELD. Yes.

Mr. FOLEY. And the income that is necessary for a farm unit to sustain itself differs?

Mr. KENFIELD. Yes; that is why it is difficult to put in an exact figure, because you have so many different conditions in agriculture, many of which are very important, but as you say, they are a matter of geography, there is the question of the soil and the kind of farming and some other practices that create or set up a diversity. Nevertheless, it is important, we feel, that the family farm system of agriculture be preserved and strengthened. It has tremendous value.

Mr. JOHNSON. As one little addition to what Mr. Kenfield has pointed out, our delegates suggested defining commercial family farmers on a county-by-county determination. In other words, have the county ASCS in each county set up criteria by which you would decide what constitutes a family farmer in that county. We feel that this would allow for wide differences between the commercial family-type operators, between counties and would be a much more realistic yardstick when we get to measuring farm programs in terms of their worth to the nation.

Mr. PURCELL. Are there any further questions?

Mr. LATTA. Let me ask Mr. Johnson a question. Does this statement of Mr. Radcliffe's represent the National Farmers Union position on this legislation?

Mr. JOHNSON. Yes; it does. These witnesses, all of them, are here in behalf of National Farmers Union.

Mr. LATTA. Is this the first year, Mr. Johnson, that you have advocated 120 percent as a C.C.C. release price?

Mr. JOHNSON. Yes; I believe that is the case.

Mr. LATTA. Is this the first year that you have advocated the establishment of a combined wheat and feed grain base?

Mr. JOHNSON. Yes; we have. However, we have been quite concerned about the ways in which the program can be simplified and we

have talked a lot about this, but I believe that it is probably the first time that we have made it a part of our presentation to this committee.

Mr. LATTA. Thank you. That is all.

Mr. KENFIELD. May I add one word to what Mr. Johnson said? In reference to the question about the Commodity Credit Corporation I think it is fair to say that the National Farmers Union for years has stood for maintaining or isolating the Commodity Credit Corporation stores from the market although we have never taken the position on the 120 percent before. But we have favored isolating or insulating the Commodity Credit Corporation stores from the market.

Mr. FINDLEY. This is a part of the feed grain program as well as the wheat program, am I correct?

Mr. JOHNSON. In the target statement I think there is some language here that clarifies this because we had some discussion on this very point between feed grains and wheat. I think it would bear out what Mr. Radcliffe said in his statement in this regard. The actual language reads:

No Commodity Credit Corporation inventory of wheat should be disposed of at less than 120 percent of the support price and other policies concerning Commodity Credit Corporation marketings should be directed toward strengthening the regular market structure.

The delegates intended the latter part of this statement to apply to feed grains.

Mr. FINDLEY. You would interpret that as meaning the same general policy should apply to feed grains as to wheat?

Mr. JOHNSON. At least, in the operation of the feed grain program, the Commodity Credit Corporation they should operate so that the regular market structure is not weakened by the way that commodities are released into the market. However, we do not favor the 120 percent resale for feed grains.

Mr. FINDLEY. What do you think the provision should be for soybeans?

Mr. JOHNSON. Many in Farmers Union have expressed concern for what might happen if soybeans should be grown on "permitted" and "diverted" acres. When Secretary Freeman was here he answered a question on this point. I do not think that we would object to this authority being included in the bill, subject to safeguards to prevent excessive planting. The Secretary eased our minds when he said that if he were asked this year whether or not he would permit soybeans to be grown on these acres his answer would be "No."

Mr. FINDLEY. Thank you.

Mr. PURCELL. I have one question to Mr. Johnson. Does the National Farmers Union own storage facilities for grains?

Mr. JOHNSON. No, sir. We do not. Many of these farmer cooperatives bear our name and they make contributions out of their patronage savings to the Farmer Union organization in the area where they operate—5 percent of their net savings. But we do not own any of these storage facilities in the Farmers Union.

Mr. PURCELL. Who owns this big outfit in Minneapolis or somewhere near about that is referred to as the Farmers Union?

Mr. JOHNSON. Many of our members are also interested in the Farmers Union Grain Association.

Mr. PURCELL. Who owns this one in Minneapolis?

Mr. JOHNSON. The farmers in the area served.

Mr. RADCLIFFE. About 300,000 farmers own it as a cooperative structure.

Mr. PURCELL. I have been getting a lot of pressure to become interested in the high resale percentage price, but so far, without an exception, it has come from people who are interested in storing grain, rather than in raising it. Has that been your experience?

Mr. RADCLIFFE. I do not believe so, Mr. Purcell. As has been pointed out here several times, to raise it to 120 percent of the support price would, in effect, raise the cash market.

Mr. PURCELL. Who would that improve, the farmer or the other?

Mr. RADCLIFFE. The farmer certainly is the first seller of the product. The first seller of the product would realize the increase in the cash market.

Mr. PURCELL. If the farmer sells, he would sell at the market, at the lowest price during the year, would he not?

Mr. RADCLIFFE. Not necessarily, if he takes advantage of the Commodity Credit Corporation program.

Mr. PURCELL. If they do not take any better advantage of it than I do, is it not true that the farmers selling their grain, by and large, do so at harvest time?

Mr. RADCLIFFE. Well, sir, I do not believe this is true any more. It may have been at one time, but farmers have become quite sophisticated in that regard. And while very few of them can afford to hold their grain until the market increases, they do take advantage of the Government market.

Mr. PURCELL. Are you a farmer or a storer of grains?

Mr. RADCLIFFE. I own a farm. I am a farmer.

Mr. PURCELL. Are you personally for this or are you speaking for the National Farmers Union when you have testified here?

Mr. RADCLIFFE. I am speaking for both myself as a farmer and for the National Farmers Union. I was speaking for the National Farmers Union in this testimony; yes.

Mr. PURCELL. Mr. Olson.

Mr. OLSON. Mr. Radcliffe, in your statement, you limited it to wheat, I believe. I am not at all enthused about tampering with the release price, bearing in mind that it does have ramifications other than those that are sometimes most obvious. There is just one point that I would ask you to comment on. Would you be agreeable to fixing the price of wheat, including the domestic certificate, at 100 percent of parity? This would necessitate the Secretary's reducing the domestic certificate if the market price rose, in order that we would not be subject to criticism for supporting wheat above 100 percent of parity.

Mr. RADCLIFFE. I would hope that as has been suggested by my Senator from South Dakota that the rate at which the domestic certificate is set would be built into law at full 100 percent of parity or \$1.25 or whatever it might be, rather than giving the Secretary the discretion that the proposed bill does now.

Mr. OLSON. And you also agree that we could hardly support wheat at more than 100 percent of parity.

Mr. RADCLIFFE. I presume so.

Mr. KENFIELD. If the parity to the farmer works all right it reflects both income and expense. And this is the important thing.

Mr. OLSON. Just one other question on your suggestion No. 4, the establishment of a common base. Would you provide this committee with any evidence of how this would work under the proposals now being made? I am interested in the way in which this might be implemented to transfer wheat acres to feed grain production. If we end up with a domestic certificate, and if the export certificate were not provided, then under the present law have the option of only producing—I believe I am right—the domestic portion of your wheat allotment and divert export acres to feed grain production. Do you follow me?

Mr. JOHNSON. Yes. That is “substitution”—as it is called.

Mr. OLSON. I am concerned that if we get to a point where one-half of the wheat acres are covered by a good program and the other one-half a low price, will it encourage substitution to feed grain production?

Mr. JOHNSON. We will be happy to amplify on the discussions that we have had. In general, I would say that we had been interested in this, because it would simplify the operation of the program.

Mr. OLSON. I want to simplify it with you, but I want to make sure that we do not find ourselves in the situation of encouraging further production of feed grains. I think we are bringing our problem in wheat under control, but we must guard against any actions that would then be shifting a problem. If you have any further data on that, I would appreciate receiving it.

Mr. JOHNSON. Frankly, I would like to see some more economic research into this, but the comment that I have heard from people who have made a study of it is that you would have as much transfer one way as you would the other. And that, therefore, you would not have to worry about increasing feed grain production.

Mr. OLSON. Mr. Johnson, may I observe that those persons who have made those calculations or estimates might well have done it on the present price structures.

Mr. JOHNSON. I am sure that they must have.

Mr. OLSON. With the suggested discretion in the legislation that certainly indicates prices can change there could very well be a situation where substitution would be all one way.

Mr. JOHNSON. Yes, that is true. I do not think that we will ever know exactly how this will work until we try it. Therefore, it may be that we could do this in some pilot areas—pick some different types of areas and so-called pilot counties and have this tried, just to see what kind of choice the producers would make. I think it would add to our knowledge about the direction we should go in the future in this regard.

Mr. KENFIELD. May I comment?

Mr. PURCELL. Very briefly you may.

Mr. KENFIELD. If I understand what the Congressman is getting at, I think that there is every indication for having export certificates, for this reason, that it seems to me that it is very unfair to ask the farm people to produce at 50 to 75 percent of parity a commodity like wheat that is being used by our Nation in international areas as

commodities, not only in feeding people, but it is actually one used to prevent famine. We have not had a famine worldwide, so far as I know, since we started the food for peace program. That is a tremendous contribution of our farm people in the international phase. Much of this wheat is being used to capitalize the underdeveloped nations of the world.

Certainly I believe there is plenty of justification for a certificate. I feel as Mr. Johnson does about this, that we ought to do a little more research and study and thinking about it.

Thank you.

(The following letter was also submitted to the subcommittee:)

KANSAS FARMERS UNION,
Topeka, Kans., April 19, 1965.

HON. HAROLD D. COOLEY.
*Chairman, Committee on Agriculture,
House Office Building, Washington, D.C.*

DEAR CONGRESSMAN COOLEY: The members of the Kansas Farmers Union assembled at a statewide meeting at McPherson, Kans., April 19, 1965.

The purpose of the meeting was to discuss in depth, the proposals on farm legislation now before the Congress.

The Kansas Farmers Union supports the proposed legislation and urges that it be passed.

We do believe, however, the following provisions should be added to strengthen the bill and improve income for farm families. We respectfully request they be included in the proposed legislation.

1. The program be effective for 5 years instead of 2 years to give farm operators an opportunity to carry out long-range management plans.

2. The full parity provision for domestic consumption on wheat be written into law rather than left to the discretion of the Department of Agriculture.

3. A minimum value of at least 25 cents per bushel be placed on the export certificates by legislation and authority be provided the Secretary of Agriculture to declare a higher value.

4. Congressional approval be given the Secretary of Agriculture to move upward the 105 percent of support price plus costs affecting release of Government-stored wheat.

5. A strategic reserve of agricultural commodities sealed from the market be established.

6. The bill prohibit placing whole farms in the cropland adjustment reserve to protect renters of land and especially the younger farm operators and to preclude the disruption of the economic base of farm communities and farm suppliers such as machinery, auto, fertilizer, hardware, and petroleum dealers.

7. There is no need or demand for the provision which would permit sale or lease of allotments. This provision, if enacted, could lead to fraud and scandal.

8. Protection and encouragement for the family farm be woven into the language of the legislation.

The Kansas Farmers Union wishes to reiterate its historic position of the goal of full parity for American agriculture. We support this legislation and the recommended additions because we believe their enactment into law will move the income of farm families toward full parity.

We, in Kansas, appreciate your efforts in behalf of family farmers.

Respectfully yours,

MARTIN J. BYRNE, *President.*

Mr. PURCELL. Thank you very much, gentlemen.

We will next hear from the National Farm Organization, represented by Mr. Oren Lee Staley, the president of that organization.

STATEMENT OF OREN LEE STALEY, PRESIDENT, NATIONAL FARM ORGANIZATION; ACCOMPANIED BY ERHARD PFINGSTEN, VICE PRESIDENT; HARVEY SICKELS, SECRETARY; LLOYD FAIRBANKS, DIRECTOR OF THE ORGANIZATION DEPARTMENT; AND BILL LASHMETT, DIRECTOR OF THE MEAT COMMODITY DEPARTMENT, NATIONAL FARM ORGANIZATION

Mr. STALEY. I am Oren Lee Staley, president of the National Farm Organization. I have with me Mr. Erhard Pfingsten, vice president, Mr. Harvey Sickels, secretary, and two of our staff members, Mr. Lloyd Fairbanks, director of the organization department and Mr. Bill Lashmett, director of the meat commodity department. We are all farmers and maintain our own farm operation.

The primary objective of our organization is to establish sufficient bargaining power for farmers so they can price their products at fair price levels at the marketplace. We are making great progress toward this objective. We are now well organized in the diversified agriculture area with strong organization in almost every county extending from the Pennsylvania line to the western edge of the diversified agricultural area of Kansas and Nebraska, and from the Canadian border into Kentucky and Oklahoma with a growing organization in the States of Tennessee, Arkansas, Florida, New York, New Jersey, West Virginia, Colorado, Wyoming, and Idaho.

This has brought together bargaining strength in agriculture many times greater than any previous efforts. Every member of our organization is a farmer or producer.

The strength of the NFO has now reached the point that we are entering the final phase of our collective-bargaining program. We are in the actual marketing phase.

We believe that anyone or any organization interested in the welfare of farmers should do everything possible to maintain and increase farm income.

The income picture for farmers is indeed dark at a time when the rest of the economy continues to advance to new record levels. Only farmers themselves who are trying to dig a living out of soil realize how serious the cost-price squeeze really is. They face it every day as the prices of products they produce all go down or remain at low levels while the prices of everything they buy continues to rise.

If this continues, it spells the doom for the family-type farmers because with the high investment required to operate a farm and with the low return it is only a matter of time until a high percentage of the farmers will either be forced to leave the farm or decide to leave while they still have an equity. Under these conditions you cannot expect young people raised and reared on the farms to be able to start farming and of course they will have little or no desire to start farming. This is setting the stage for a corporate agriculture. When we hear talk of 2½ million farmers leaving the farm we would like to point out that many of the farmers expected to be forced to leave will not be the ones actually leaving. The general principle behind this theory is that they will be forced to leave because of the lack of profit. The ones hit the hardest from a financial standpoint will be the commercial family-type farmers. Many of the smaller farmers already have off-the-farm

jobs. They can and will stay on the farm longer than anyone else. The Internal Revenue Service has just issued some figures that prove this statement:

From advance data now available in IRS Document No. 5238 (I-65), we give a breakdown of adjusted gross income classes for farm returns of sole proprietors for 1963. Income is from all sources.

Farm income tax returns of sole proprietors—1963

Adjusted gross returns	Number of returns	Percent showing profit
Under \$5,000.....	2, 212, 810	68. 6
\$5,000 to \$10,000.....	729, 164	60. 4
\$10,000 to \$15,000.....	150, 761	63. 0
\$15,000 to \$25,000.....	69, 079	60. 0
\$25,000 to \$50,000.....	32, 768	48. 0
\$50,000 to \$100,000.....	9, 211	36. 4
Over \$100,000.....	3, 062	22. 3

The family farmers of America have been subsidizing the rest of the population. These farmers have taken lower and lower prices in the last 15 years which has made food the best buy in America. The efficiency of the family-type agriculture has never been matched in any nation of the world by any other industry. It is indeed a sad state of affairs, when many of the people in and out of Government, responsible for making decisions that vitally affect farm income do everything possible to keep farm income low. We are aware of the battle some of the Congressmen, U.S. Senators and the Department of Agriculture have been waging trying to maintain and increase farm income. We realize they are up against well-intended interests and the philosophy that the elimination of farmers is the only answer to the farm problems. We commend these efforts on the part of a few to maintain and raise farm income.

They are having a difficult time getting committed support from other segments of the economy, therefore it becomes a matter of trying to keep what we have. This is the reason we are pushing so hard to get farmers organized so they can do their part in pricing their products at the marketplace.

As farmers, it irks us to no end to hear statements arousing consumers against farmers and farm programs by talking about increased prices to the consumers. We say consumers cannot expect to get wage increases and still expect the farmer to get the same low price for his products. This is neither a fair attitude on their part nor is it economically sound. It is time they wake up. We realize that this is a good public relations job for all of us to work at and it is a big one.

Farmers feed and clothe this Nation better than any nation in the world. They deserve to share in the prosperity of the Nation. Unless fairminded citizens realize this they will kill the goose that laid the golden egg.

House bill, H.R. 7097 will not appreciably increase farm income but in most cases it is probably the best that can be gotten at this time. We are in favor of part of the bill and are opposed to other parts. We feel the feed grain program has now been proven as an effective instrument in reducing supply. We feel that the section increasing

the value of wheat is an improvement. We have some organization in the heavy wheat producing area but we feel it is best for us to support the general position of the National Association of Wheat Growers and the National Grange on wheat legislation, as they have and will outline.

We want to urge the committee, because of low-farm income, to rise the minimum support level allowed.

We are bitterly opposed to the provision allowing soybeans to be planted on diverted acres. This would destroy the soybean price. It does not make sense. Every effort should be made by farmers and the Government to raise the price of other commodities not bring the price down on a crop that is better than others.

We believe raising the level of the percentage of supports that Government stocks can be sold at would raise farm prices one year but will result in noncompliance the following year and will make it impossible for a program to work. This could further increase costs, and make the program totally unworkable.

That is, it will not work as many have thought that are supporting it. And our support that we have found for raising this level will come from the grain trade, basically. That is what we have found.

We doubt the feasibility of transferring allotments. We are fearful that this will make more part-time farmers out of full-time farmers and will, in the end, concentrate the allotments in the hands of a few.

We urge the committee to do everything possible to increase farm income. We urge a 4-year extension of the bill. It doesn't make sense to have to battle every 2 years for this type of legislation. It can always be amended in 2 years, but let's give the basis of the bill time to work a little longer.

We will not comment on the cropland adjustment part of the bill. We do oppose strongly taking entire farms out of production in any county in any area. We think that this is something that could be tied down very closely.

We, as farmers, realize we must organize at a fast pace, start accepting more of the burden so we can price our products at the marketplace. There is one word that can cure more of the farmers' problems. That word is "profit."

We thank you for your time. Our legislative representative, Mr. Sickels will be visiting with you from time to time.

We will be glad to answer any questions any of you may have.

Mr. PURCELL. Are there any questions?

Mr. LATTA. Is this your first appearance before this committee, Mr. Staley?

Mr. STALEY. I have not appeared for quite a while. I used to appear quite often. We have been organizing, basically, a collective bargaining program. At other times some of the others have appeared. When we were just a legislative organization alone, I used to appear quite often before the committee.

Mr. LATTA. I have been on the committee for several years, and I was just trying to recall when you were here before.

I am in complete accord with what you and your organization have been attempting to do—that is, to raise farm income. Although I am in accord with you and your organization's attempts to get higher income and greater profit for our farmers, I will say that a few un-

fortunate incidents which occurred during your last holding action caused your organization to lose some ground. I believe that this was all due to the fact that you had a few people who were too anxious to get the job done. I am not saying that anybody in your organization suggested these practices. Or that they condoned them. Unfortunately, however, your organization reaped the bad publicity from them. May I suggest if you have another holding action, that you caution your total membership not to use any tactics which might reflect on your organization and its good members. Some of my finest citizens are members of your organization and I want you to know this.

Mr. STALEY. We regret these incidents as much as anyone. I believe that when you get people engaged over a big area it stirs the emotions of both the people for and against it.

We have from the beginning passed bylaws—not only just passed bylaws, but we have emphatically told our people always to cooperate with the local law enforcement officers to keep this down.

I think our record is very clear and very emphatic. I would say that although your area was a rather new area in this last holding—we have had five holdings—two of them on a large scale—that the purpose of the holding is greatly misunderstood and as the organization develops more maturity as time goes on these incidents are held to a minimum particularly in the older areas.

It is hard to tell who perpetuates these incidents, whether it is our people or whether it is those who might be opposed to us, but after each of these holdings we have had a temporary lag, but I am glad to report that in your district, as in others, after a short time, why, we continue to gain strength and now we are doing that very thing.

Mr. LATTA. We agree that regardless of who causes these incidents that you get the blame for them.

Mr. STALEY. Correct. We get it in the same proportion as a Congressman gets it. You are always to blame for everything that happens, regardless.

Mr. LATTA. I am glad that you are familiar with these incidents that have happened and it proves that you are keeping abreast of events which might affect your organization's future.

Mr. STALEY. Yes, that is right.

Mr. LATTA. From what you have said, I am confident you will take steps in the future to avert them.

Mr. STALEY. You can rest assured that we have and will.

Mr. FINDLEY. I would like to thank you for appearing before this committee. In my 4 years here I believe that your organization has been represented twice.

Mr. STALEY. Yes.

Mr. FINDLEY. That is to the best of my knowledge. I have encouraged your representatives to make more frequent appearances. I hope that this is just the beginning.

I have no idea as to your total membership. The last I knew you did not publish membership figures. But judging from the number of signs on the fences in my district you are a quite well-represented organization. And I would like to compliment you for your emphasis on the marketplace. You say on the first page of your statement that your primary objective is to establish sufficient marketing power so that the farmers can price their products at a fair price. And then

later on you include some justification—over on page 4, for the lower release price we have had in the wheat and feed grains program. You certainly will agree with me in my contention that this policy of releasing Government stocks at the lowest price permitted by law or close to it is keeping the market price down. Would you agree with that?

Mr. STALEY. I think that we get into two or three deep-seated situations or conflicting economic cross currents here. The reason that we said here that we agree that this would probably increase—or, we say flatly, that it would increase price the first year. But I think that if you increase the price the first year it means that next year you will have little compliance in the voluntary program in our opinion. Once you have very little compliance in a voluntary program this means that you have probably done two things: You have, first, increased the Government costs because they could not release this. This is the first thing. This, so far as we are concerned, is where false emphasis is placed and unfair emphasis is placed on those who oppose farm programs. But, the seriousness of this is that you have a non-compliance. It means that very little of this would be eligible for support. And this is where I think the next year the people in the grain trade who are supporting this are going to find out that they have run into some very difficult and deep problems, because the production that has been increased will be basically in the hands of the storage people who carry the storage costs without any income from it. But I think that the thing about it is that you, and this is the reason we were saying that a Government program would be better from our standpoint to increase the support level wherever possible—and we recognize the problem that you have these days of doing this, but at least to take the minimum up.

Mr. FINDLEY. Does it not boil down to this fact. In supporting the administration policy as embodied in these two major programs you are, in effect, placing your confidence not in the marketplace but in Government supply management—is that not the fact?

Mr. STALEY. No; what we are saying—what we think is in order to make a voluntary program of this type fit in. And, of course, I would like to say one thing here to clear another thing that I and the others who have come and represented the organization from time to time feel, with no disrespect to the committee or anyone else—I have felt that my job was to stay out in the country to do all I could to get the farmers organized. And now that the organization has grown I know that in fairness to the committee and in fairness to our organization that we have to spend sometime doing these things. We recognize the very seriousness of the farm problem. And therefore we want to do everything we can to increase the farm income, whether it is at the Government level or otherwise. What I would say is that in reducing the supply it increases the farmer's ability to be effective in bargaining. And so consequently, any time you have a program that makes noncompliance in that program by making this much which will encourage noncompliance any time you do it, that it will at least the second year but may not the first.

Mr. FINDLEY. About 2 years ago, I think it was, you had a holding action late in the fall, about Labor Day, and you published the objectives of the holding. It set the corn objective at around \$1.49.

Mr. STALEY. \$1.49, that is correct.

Mr. FINDLEY. During the first 10 days of that holding action the Secretary of Agriculture sold about 4 million bushels of corn. Now, he was competing with your holding action. He was one of your biggest problems, was he not?

Mr. STALEY. Yes. We were not very happy with that, either.

Mr. PFINGSTEN. I would like to comment, if I may, on one thing that I think is puzzling you where you do not understand what our objective is. I think I can clear that up for you. You see, while we believe that we the farmers will have to eventually do this—and this is what we are organizing the farmers to do—we also believe that until we get into a position where we can do this we very definitely need the Government to hold those facts, so that the rug is not pulled out from under these farmers and have the family farm or the agricultural setup as we know it today destroyed before we have got our job done.

So our objective is to do it on the marketplace, but until the farmers themselves can do it, we do have to have you.

Mr. FINDLEY. In the meantime, would you not agree that farmers are becoming more dependent upon Government payments and less upon the market price for income, and thus you are actually weakening your position during the period when you ought to be strengthening it?

Mr. PFINGSTEN. It will be strengthened if you eliminate the surpluses which we think you build up again if you have this setup here that eliminates participation in a voluntary program. For instance, let us say that for a 1-year period you are successful in managing to raise price to the market level and the next year in this program I think that you will probably have no participation. So then the farmers would go right back to putting it all into corn again, let us say, if that is what we are talking about, then the following year you find yourself in the depths that we were in before we ever had the feed grain program. This is what we are trying to prevent, because it curtails supply and will also help our bargaining program.

Mr. STALEY. I would like to clarify one point. This is a point that is so many times missed. We are to get the Government out of agriculture. Our feeling is that we would like to be in the position of coming to this committee and saying that the farmers can do this much—we need assistance on this, rather than coming to the committee and always saying that we expect the Government to do it all. If we can accomplish that there will be a working relationship between the Government and the farmers that we think will prove beneficial as it has in other segments of the economy.

I wanted to be clear and certain that that statement was clear and not misunderstood by the committee.

Mr. FINDLEY. You stated that "We are bitterly opposed to the provision allowing soybeans to be planted on diverted acres." If you were to vote "Yes" and "No" on this bill would you recommend a "Yes" vote?

Mr. STALEY. I am assuming that we can keep that provision from being written into the bill.

Mr. FINDLEY. If it is in the bill, is the bill sufficiently offensive to your organization that you would vote "No" for it?

Mr. STALEY. I would say not because we would be very actively on the Secretary's doorstep trying to keep them from using it. I would say that with that clause we can live with it rather than kill the entire bill, if it came to that point. I do think that it makes a little more sense allowing the permitted small percentage of the acreage in our opinion, but it does not make sense to use that—that it should be written in the bill to kill the diverted acres or the program.

Mr. GREIGG. Going back to this question of being opposed to soybeans planted on diverted acres, did you hear the recent statement made by the Secretary of Agriculture as to what could possibly happen to the market if they developed a substitute?

Mr. STALEY. Yes. I heard some of that. I heard that. But I think that our position would be rather than to bring down the price of the commodity that is at a fairly good level, at least, to try to do something about raising the others, rather than destroying the price of that commodity. I will tell you that this will have a greatly adverse effect on governmental programs in my estimation, if action is taken by this Congress that brings the price of soybeans drastically down, because the Congress in Government's programs will be blamed for having destroyed the soybean price.

Mr. GREIGG. I do not want to see the price of soybeans drop, or any other commodity. In your investigation of this particular item have you come across any figures or statistics to indicate that we do not have enough soybeans to meet the demand? Do you have any statistics or specific figures to indicate how many more acres of soybeans would be used to maintain the price that we now have?

Mr. STALEY. I think that there you get into whether you are going to maybe get into the point of eventually describing whether the Government will accept some type of strategic reserve as such.

In other words, suppose you have 1 bushel of soybeans on the market than the market utilizes, that year you have problems from price. What I am saying is this, however, that there is not enough carryover so that I think that this is something that has not been discussed many times.

It is a consideration we will have to get into, eventually. So I would say that apparently from the fact that you can, without adversely affecting the price greatly, go somewhere around 25 to 35 million bushels carryover without greatly affecting the price.

Mr. GREIGG. Do you know of many members in your own organization who are presently using urea?

Mr. STALEY. Not too many. Not too many. There are some complications. We hear a lot of publicity on this, of course. Part of it is that this has also proved detrimental to a lot of the people who have used urea.

Mr. GREIGG. In answer to Mr. Findley's question, I believe that you stated you would not be opposed to the growing of soybeans on corn base acres if the Secretary had control of such a program.

Mr. STALEY. We have said that this is not, at least, as bad as to grow it on diverted acres. This is my statement on that.

Mr. GREIGG. Thank you.

Mr. PURCELL. Mr. Callan.

Mr. CALLAN. I have just one question. I have seen a study prepared by the University of Nebraska and the U.S. Department of Agricul-

ture as to the relationship of the use of urea as opposed to soybeans. Would you not agree that if you get the price of soybeans too high that this could, possibly, come in and displace it in the market? Would you agree that if we come up at this study with a figure showing that if beans were above a certain price, then urea could come in and displace a part of our soybean market?

Mr. STALEY. Occasionally you run into a situation like this. We have had a lot of reports from people who have used urea very extensively, at least even to the point that they get more than 10 percent. And this is the early stage where you have some development of the disease in livestock that you had not expected.

Mr. GREIGG. Will you yield?

Mr. CALLAN. Yes.

Mr. GREIGG. I have heard they figured that an additional 2 million acres of soybeans could be handled without affecting the overall price. Do you take objection to that statement of 2 million additional acres?

Mr. STALEY. I would say very definitely it would hurt the overall price of soybeans, unless you had a greater usage, because this would, these 2 million acres would, approximately, give us, say, something like 60 million more bushels, somewhere in that neighborhood. It will not hurt so much if you have it on the permitted acres.

Mr. OLSON. The Secretary the other day indicated that the law of supply and demand has caused the farmers to indicate increased plantings of 3 million more acres this year, and that the Department would not have used this authority if it were available to them. Another point is that your question is somewhat contradictory because you indicate concern about how many additional acres might be grown without affecting the price, and at the same time talk about the necessity to diminish the price. I think that it is a large responsibility for us to determine on the basis of the information that has been presented to us, whether or not we should take action that might influence the price of a product that is now favorable.

Mr. GREIGG. I can guarantee that we would see a drop in the price of soybeans on that basis. I am quite aware of this, that we do not have a substitute that will take the place of soybeans.

Mr. STALEY. I would just like to take a moment's time to reiterate one or two points. We forget that those that have been substituted in the past have generally been substitutes that the people pay a higher price for. This may not be the case in urea, but this has happened a lot of times and I can go on and enumerate that time and time again. There is one point that I would like to stress to the committee, and that is, figures that I am sure the committee is well versed on—that we get into a figure of income, so far as the farmers are concerned and that we talk about \$12.8 and \$12.3 billion net farm income, but those who publish these figures always are careful to say, "Realized net farm income." And when you go to the economic indicator and other sources of statistics, you find that last year there was only \$7.7 billion worth of profit from the sale of agricultural commodities. There was about a gross of about \$36.9 billion from the sale of agricultural commodities, and \$29.2 billion was expenses in its production. We get now about \$2.2 billion allowance for living in our own homes. And the bank will not accept this as spendable income. Mine has not, at least. Yet they will not accept the \$1.2 billion of food that we raise on the

farm as spendable income. This one-half billion dollars that they give for the increase in value in the inventories is a little hard to spend usually.

So you come down to where about all you have got left is the \$7.7 billion plus what the Government payments are. And if you include the conservation payments and all, you only come up to \$8.8 billion. And last year the spendable income, the off-the-farm income of these farmers who are going to be there a long time after the farmers are trying to live off these \$8.8 billion that they can really spend, are going to be gone, because the off-the-farm income was what, \$6.8 billion, so that the people who have had off-farm spendable income will be there. So I think that when we get to talking about these income figures that they sound pretty fine.

Mr. PURCELL. Mr. Dole, I am sorry to have had you wait.

Mr. DOLE. I concur with your statement on page 4 about the feasibility of transferring allotments. Have you any background research as to what the consequences might be if this were done?

Mr. STALEY. I want to use just a little personal example that I had the other night to bear this out. As to people that I think will be on the farm a long time after, if it is not upset. The other night I rode with a Kentucky family, a man 28 years old, with a 26-year-old wife, a 4-year-old son and a 7-year-old son. They had a 4-acre tobacco allotment. They had a 120-acre farm. Now, this is not a large farm. But after a while when you consider the investment at \$200 per acre in the farm, that is \$24,000 as an investment and, probably they had 20 dairy cows, which is another \$4,000 or \$5,000 investment and another \$4,000 to \$5,000 in equipment, you are talking about a young couple with \$40,000 investment. In most businesses this is considered a fair-sized investment.

This lady was getting on the bus at 5:45 in the morning riding to Nashville, Tenn., and getting back home at 6 o'clock in the evening to bring in extra income. The only thing, he told me, that was keeping him in the farming operation was the 4-acre tobacco allotment.

It seems to me that, very well, he could sell this allotment and if there were going to be a changing of the allotment, it seems to us that it should be on a very short-term basis at the most. So that it could not be a permanent one, at least, because the first time that his banker gets tight on him he may strangle his own operation just because of tight financing. This is just a personal example that we used. I recognize the argument on the other side that some of them with half an acre base of tobacco allotment, for example, that some of these are not being used because it is not enough to take care of.

I know there are problems on both sides, but we feel that the long-term effect could be more detrimental than the immediate financial advantage.

Mr. DOLE. I have visited many farmers in western Kansas. And I believe that you were there recently. It occurred to me that this might be something that would ultimately wipe out the very farmers that you are here representing, the family-size farmer. These provisions seem essentially dangerous to the farm economy in my area, and I feel it is an offensive provision in the bill.

Do I understand that notwithstanding anything that is in the bill that you, generally, favor the legislation, is that correct?

Mr. STALEY. We certainly would like, in view of the income situation, so far as farmers are concerned, to see these price support levels raised. We would like to see a lot of these things done to increase the farm income, but we think from a realistic standpoint, with all of the pressure there is against agriculture from all of the other segments that it is better for us, at least, to support what seems to be feasible and to work our best on this, and then we think that it is important that you have a longer than a 2-year extension of what is worked out because we are a little concerned about the recommendations of an advisory committee on agriculture—some of these things that could very well mean that other people would begin to write our agricultural policies other than this committee and the farmers. And so we think that now is the time to try to work out the best program possible and to get a longer extension than just the 2-year extension.

We think it is going at this time to be necessary for the farm Congressmen of both political parties to unite their efforts on this and to come up with the best that they can and to build something solid for agricultural support on this.

Mr. DOLE. There is no question about the fact that the farm representation is a very minor group in the Congress. And every couple of years it becomes less and less, and that there could be more protection with a longer range program. As I understand it, your organization is an independent farm organization.

Mr. STALEY. Correct.

Mr. DOLE. You are not affiliated with any other farm group?

Mr. STALEY. No, no; nobody else. Nobody else. We are organized under the Capper-Volstead Act and it means that we have only farmers and producers as members of our organization. We cannot have any collusion or working agreement or unwritten agreement with anybody else.

Mr. DOLE. Is it not a fact that your membership list is secret?

Mr. STALEY. This is the only question that you could ask me all day that we have not divulged and the reason is that this has been because there has been a vote by our convention. We are in a bargaining group. And when you go into a bargaining group session with the largest processors in the Nation you do not tell how strong or how weak you are anywhere because you play the best game that you can at the bargaining table. We did show enough strength in our last holding action, which many people did not realize the purpose was to temporarily reduce the supply—and I am proud to say that many of the larger processors in several of the different commodities are now recognizing that we have brought enough production together so that they are starting to accept supplies from our members as such and this means that this is a great breakthrough for us and great recognition.

Mr. DOLE. The only point that I wanted to make is that witnesses have testified they represent a farm organization of 500,000 members or 40,000 members and so on, hence it would be interesting to know the number you represent.

Mr. STALEY. I think our record speaks well for ourselves. I do not think that any organization gets as large a meeting of farmers as we do. I know one thing about it, when we talk, we are talking only

in behalf of the farmers, because they are the only ones who can be members of our organization.

Mr. DOLE. Thank you.

Mr. FINDLEY. Just one more question. At the top of page 4, Mr. Staley, you say:

We want to urge the committee, because of low farm income, to raise the minimum support level allowed.

What level do you recommend?

Mr. STALEY. Well, of course, the level that we would like to have is the minimum of 90 percent and the top is 100 percent. We know that this is not realistic. We would like to see it so that they cannot drop to a level below 80 percent.

Mr. FINDLEY. Would that not raise the problem that you are dealing with in the third paragraph of your statement on page 4?

Mr. STALEY. This is still all right, because it brings them in balance. Our point is that when you get too much—and we certainly like to see the price brought up—but when you get them too much in variation, then you are going to break down a voluntary program because of noncompliance.

Mr. FINDLEY. What would be the spread—you say there has to be a spread?

Mr. STALEY. Not too big a spread. If it is a big spread then it will raise the price this year. And whenever it gets over into this, then they will break your program down the next year and then you are faced with your bills up back, in our opinion.

Mr. FINDLEY. Do you feel that 115-percent minimum would be all right?

Mr. STALEY. We have thought that——

Mr. FINDLEY. Would that be a desirable minimum?

Mr. STALEY. The 105-plus the carrying charges, we have felt—although we get back into that—and the Secretary could point to the fact that he was required by law to do this—we will say at this time that we wish it had been higher under this point. This we will have to agree to.

Mr. FINDLEY. He does not have to release at that low point. He can go way above it; can he not?

Mr. STALEY. Yes.

Mr. FINDLEY. That is only for control.

Mr. STALEY. It gives the excuse along the line we might say, at least, but we know that the Secretary has a difficult position on this because of the pressure when it even says 105, and 115 would at least give him something to hang his hat on. But, on the other hand, I think that the main value of the program, such a program as this, has to be to reduce the total supply. I think this is the general purpose of it. And hoping that in the process it will raise the income level, because certainly the support level is not going to do that. If you fix this so that it is much more attractive to stay out than in, after you do this 1 year it will take you 2 or 3 years to readjust. And in the meantime, you have caught the Government with what they had in hand almost frozen at this point, which is going to mean that their carrying charges are going to be larger. You are going to have this increase because of the nonparticipation—and the noncompliance—

and you have built these bushels back again, so that then you start with the problem all over again, in our opinion. This is the reason. You would raise the price in 1 year, in our estimation, and it will create so many problems thereafter and we will have to start over and we may bring some disrepute into the process and the farm programs so that we will have a more difficult job. This is our opinion of it.

Mr. FINDLEY. Thank you.

Mr. PURCELL. I have one question. Some organizations in the farm group emphasizes the size of their organizations. The Farm Bureau claims that they represent 1,600,000 farm families. And you fail to say how many you represent. Are you about that size, or are you bigger than their membership?

Mr. STALEY. Congressman Purcell, we have always followed a policy where we have not been critical of other farm organizations. We have organized on a positive approach. We have never seen anybody organize on a negative approach and gain any objective. However, we have made a few observations along this line. Sometimes I lift my eyelid when I hear some of these statements made, because I know that in Illinois, for instance, they claim a membership of some 200,000 and I believe that there are 140,000 farm operators, something like that, in the State. So I know that something has happened somewhere along the line. I am talking about the Farm Bureau by name.

Mr. PURCELL. Which organization?

Mr. STALEY. The Farm Bureau. This is their problem. All I know is that in this type of a situation we find that the farmers, although a lot of them keep insurance policies, their loyalty, so far as farm policy is concerned, is much more meaningful to us and we have many, many of the members who have insurance policies in these organizations, and we do know that they have a lot of people on Main Street. I do not know how they count them. That is their problem.

Mr. DOLE. I think this may be true of other groups. In Kansas, the Wheat Growers Association works through cooperations where possible. They do not have a surplus of dues-paying members but claim to represent a great many thousand farmers.

Mr. STALEY. We have always felt that when we had a meeting of 20,000 farmers, I think, that it is the biggest meeting of farmers that has been held in a long time or ever held, which was 2 years ago in Des Moines. It is not unusual to get meetings of 1,000 or 1,500 farmers in an area. So we have always thought that the proof was in the pudding. In other words, we have just moved forward with progress.

Mr. PFINGSTEN. If I might comment a little. What I was going to say is that the indication seems to be or I think, anyway, that the opinion is here, that while we do not give it any numbers, and our membership is referred to as secret, it is in other groups, too, although they give a number.

Mr. PURCELL. Are there any further questions?

If not, thank you gentlemen very much for your statements.

The subcommittee will meet tomorrow at 10 o'clock.

(Whereupon, at 1:05 p.m., the subcommittees recessed to reconvene at 10 a.m., Tuesday, April 13, 1965.)

WHEAT AND FEED GRAINS

TUESDAY, APRIL 13, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FEED GRAINS
AND THE SUBCOMMITTEE ON WHEAT,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittees met at 10 a.m., pursuant to recess, in room 1310 Longworth House Office Building, Hon. W. R. Poage (chairman of the Subcommittee on Livestock and Feed Grains) presiding.

Present: Representatives Poage, Stubblefield, Olson, Redlin, Bandstra, Greigg, Callan, Latta and Dole.

Also present: Representative Walker.

Christine S. Gallagher, clerk; John J. Heimbürger, general counsel; and Robert C. Bruce, assistant counsel.

Mr. POAGE (presiding). The subcommittees will please come to order.

We are met this morning to further consider the wheat and feed grain legislation. And we have as our first witness this morning the American Farm Bureau Federation, represented by Mr. Lynn and Mr. McLain. I do not know who will testify, but either one or both.

Mr. LYNN. I would like to present the statement, and then we would both like to enter into any discussion.

Mr. POAGE. You may proceed.

Mr. LYNN. I would like to read the statement, Mr. Chairman, and then add as a part of the record, since Mr. Shuman was unable to be here this morning, some of his statements with regard to the legislation since the Secretary has testified, with your permission.

Mr. POAGE. Very well.

STATEMENT OF JOHN C. LYNN, LEGISLATIVE DIRECTOR; ACCOMPANIED BY MARVIN L. McLAIN, ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. LYNN. Mr. Chairman and members of the committee, we appreciate the opportunity to reaffirm and supplement the views presented to this joint subcommittee on March 24, 1965, by Mr. Shuman. It is our understanding that this committee now would like our comments regarding H.R. 7097 as it pertains to wheat and feed grains and land retirement. It is also our understanding that, at a later date, we will have an opportunity to present our views on the other sections of H.R. 7097.

We were asked to present our testimony on wheat and feed grain legislation on March 24 without the benefit of knowing precisely the

recommendations of the administration. We sincerely request the members of this committee to study carefully the points made in our March statement dealing with the operations and accomplishments of the current wheat and feed grain programs. We believe that, if you do this, you will find many facts in conflict with the claims made by the Secretary when he appeared before your committee on April 6.

We hope that, before you proceed to write new legislation for wheat, feed grains and land retirement, you will review carefully the program contained in many bills before the committee, that carry out Farm Bureau's recommendations.

We would now like to turn to a few observations on H.R. 7097 and the reaction we believe the great majority of our members and all farmers and ranchers will have to the proposals made in this bill when they are fully understood.

I might add that we tried to limit these comments this morning to additional information so that we would not repeat.

The administration's proposals would greatly expand the authority of the Secretary of Agriculture under the wheat and feed grain programs.

For example, the Secretary would be given new authority to—

- (1) Permit the production of soybeans on acres diverted from wheat and feed grains;

- (2) Permit soybeans to be substituted for feed grains under feed grain program;

- (3) Determine whether barley is to be included in the feed grain program.

He would be given broader discretionary authority than he now has to determine—

- (1) The face value of domestic wheat certificates;

- (2) The rate of the diversion payments authorized for wheat and feed grains;

- (3) The distribution of marketing certificates and feed grain payments among the producers on the farm;

- (4) The yields to be assigned individual farmers under these programs.

With the parity ratio at 75 percent for the entire year of 1964, the lowest it has been since 1934, we cannot understand why Congress should extend and expand programs that have contributed to the cost-price squeeze in which farmers find themselves.

Farm Bureau has longtime history of opposition to the multiple price programs for wheat. In addition to the serious objection we have to the flour and bread tax principle and its effect on the largest users of flour, bread, and wheat products, we have always felt that a rigged program like the multiple price plan is unfair to feed grain, livestock, dairy, and poultry producers.

An article by Herb Karner, the Tulsa World farm editor, under date of March 29, 1965, tends to justify this fear:

An old, almost forgotten practice is staging a comeback in Oklahoma farms, that of feeding wheat to livestock.

It's a matter of simple economics. With wheat prices around \$1.30 a bushel because of the certificate wheat plan, it is cheaper to feed than corn or grain sorghum.

Prospects are bright that low cost wheat may not only bolster cattle feeding operations, but may spark an upsurge in pork production.

This trend toward increased feeding operations in new areas because of the wheat program, together with the release of CCC stocks of both wheat and feed grains in order to hold the market price down, could very soon cause serious price problems for hog, cattle, dairy, and poultry farmers.

The certificate plan strengthens the Common Market forces that favor high domestic prices and high variable import levies against U.S. wheat.

Extension of the certificate plan would have a destructive effect on the U.S. position in the current trade negotiations, and this effect would be intensified by any increase in the differential between foreign and domestic prices.

One of the principal reasons Farm Bureau has opposed compensatory payments is that by their nature they must ultimately lead to either differentials in rate of payment to producers or total limitation on the dollar value of payments to individual producers. The steps taken in H.R. 7097 to place rice and wool under such a payment scheme indicate that the proponents of this bill are moving swiftly in that direction.

A quotation in the Secretary's testimony when he appeared before your committee in behalf of H.R. 7097 illustrates this plainly:

The commodity programs called for in H.R. 7097, while sharply focused on the goal of parity of income for the adequate family farm which produces most of our food abundance, also seek to provide more help to the small farmer.

Through the use of graduated payments as long followed in the successful sugar program the income for the adequate sized rice and wool producer would be maintained at current levels but additional payments would be made to smaller producers.

The key word in the Secretary's above statement is the word "adequate." Who is to determine what is adequate not only now but in the future? This type of philosophy cannot help but lead to a leveling off of all producers in agriculture with disastrous effects on the efficient producers of agricultural commodities.

We do not agree with the provisions of H.R. 7097 which would continue the authority of the Secretary to use CCC stocks of both wheat and feed grains to hold the market price down. Again we quote from the Secretary's statement on H.R. 7097 before this committee:

The USDA shares the stated objectives of these proposals—that is to strengthen price to make maximum use of market forces in guiding production and of private marketing facilities in handling commodities and to minimize CCC activities in marketing commodities. However, in addition to its concern with the effective functioning of the free market, the USDA has the responsibility to operate the feed grain and wheat program as effectively as possible for the producer at a minimum cost to the taxpayer. This cannot be done if we are required to hold stocks from the market to obtain prices so far above the minimum level that we cannot get farmers into the program.

Obviously, this statement makes very clear why the administration is against our recommendation for increasing the release price of CCC stocks of wheat and feed grains to 125 percent of the support price. This is one area where there is substantial agreement among the general farm organizations, the commodity groups, the trade, and the industry affected. We believe our recommendation for a higher release price should be incorporated in any bill under consideration. The market system cannot function adequately as long as the Department of Agri-

culture carries on the type of dumping operation which has occurred in feed grains and under the wheat multiple price plan.

We are gravely concerned at the inclusion in H.R. 7097 of authority for the Secretary to permit soybeans to be grown on diverted wheat and feed grain acres, and the allotted feed grain base acreage for which the feed grain payment would be made. In our opinion this would be the first step toward getting soybeans in a surplus situation so that controls could be applied to this wonder crop. This would be a tragedy. With soybean prices up and with intended planted acreage showing a big increase for 1965, it is our judgment that the inclusion of such a provision in a bill for feed grains and wheat would be the height of folly.

Our recommendation for a cropland adjustment program was developed as a supplement to proposals for moving wheat and feed grains toward greater reliance on an unrigged market. We appreciate the administration's belated recognition of the arguments in favor of long-term land requirement; however, the cropland adjustment approach is doomed to fail if it is superimposed on the present feed grain and wheat programs. The large payments available under the present wheat and feed grain programs would discourage participation in a long-term retirement program, and the incentives for higher yields created by these programs would soon offset the effect of any long-range retirement that might be achieved.

The proposal to establish three graduated levels of price support for wool completely ignores the nature of the sheep and wool industry.

Small flocks are largely found in the general farming areas where producers generally get the bulk of their farm income from other enterprises.

Most large flocks are found in range areas where alternatives are limited and small flocks are uneconomic.

Thus, the proposed graduation in support levels would penalize the producers who are most dependent on wool for their livelihood.

We appreciate the time allotted to us in our second presentation before this joint committee. We sincerely hope that you will carefully review our appraisal of the results of the current feed grain and wheat program as we presented them to your committee on March 24. We also hope that you will seriously consider our recommendations with regard to the wheat, feed grain, and land retirement programs designed to help solve our problems and lead to higher net farm income.

Mr. POAGE. Thank you, Mr. Lynn. Did Mr. McLain want to make a statement? I had understood that he wanted to make a statement in addition to yours.

Mr. LYNN. Mr. McLain and I both are available for cross examination.

Mr. POAGE. I want to thank you for this statement. It is a clear and fair statement of your views. And I think that we understand each other well enough to know that we can differ on many views and still appreciate the other fellow's viewpoint. I disagree with some of yours as you do with some of mine.

And since you have suggested that the proposed wheat program is a "bread tax," and others take the same viewpoint—I do not think it is—but that is a viewpoint—and since you have suggested that the

prices were "rigged," I think that it might be fair to ask some questions here, but I do not mean to imply anything other than an attempt to get the facts. I take it that it is clear that you are opposed both to the present certificate for wheat and to the proposed increase in the cost of that certificate?

Mr. LYNN. That is right, sir.

Mr. POAGE. And you have suggested that you thought that it was unwise, at least in part because you consider it a "bread tax" in that it would increase the price of bread to the American consumer. That is one of your reasons for opposing this certificate, is it not?

Mr. LYNN. Yes. We added the other one this morning.

Mr. POAGE. I understand. You do agree that whatever the faults of the certificate system is, it does increase the income of the farmer, do you not?

Mr. LYNN. No, sir.

Mr. POAGE. You do not?

Mr. LYNN. No, sir.

Mr. POAGE. Do you not think that the farmer would have more money when he gets the certificates than when he does not?

Mr. LYNN. If you had the current program without the certificate, certainly this would be so, but you see that we do not——

Mr. POAGE. I know that you are suggesting that we adopt another program entirely but I am suggesting that you would agree that the certificate as a part of this program puts more money into the farmer's pocket?

Mr. LYNN. Oh, yes. This is right.

Mr. POAGE. Now the certificate is the part of the program which you call a "bread tax," is it not? There is nothing else in the present program which you consider a bread tax, is there?

Mr. LYNN. That is right.

Mr. POAGE. So that it is the certificate part of the Department's program which you consider a bread tax?

Mr. LYNN. Require the certificate.

Mr. POAGE. Now, therefore, it would seem that you could not understand why Congress passed the laws that it did. I cannot understand what others sometimes urge. It would seem to me that you would be concerned every time the price of bread went up. Has that ever entered into the consideration of the American Farm Bureau?

Mr. LYNN. As long as the price of bread goes up with the market forces at work and the marketplace has a free play, we have not raised any objection to the price of bread going up.

Mr. POAGE. Let me see if I understand you. You say the market forces. I am not sure that I understand what you mean. Do you mean when the price of wheat goes up that you feel then that there is justification for the price of bread to go up?

Mr. LYNN. This is right. For example, if I might——

Mr. POAGE. Certainly.

Mr. LYNN (continuing). State this: In January, January 6, 1964, September futures for wheat were \$1.81. This is before this Congress passed this legislation in 1964. The price of wheat was going up and you well will remember. This is the kind of upward movement of prices that we are for, but as you perhaps know, on yesterday the future prices of wheat were down to \$1.44. This is the kind of market

depressing effect that we think this multiple-price wheat program has had on the market price of wheat.

Mr. POAGE. Well, let us examine this proposition. You feel that whenever the price of wheat goes up that it is fair for those who handle bread to reflect that increased price in the price of bread.

Mr. LYNN. Sure.

Mr. POAGE. That is, in the price of that bread?

Mr. LYNN. Yes; just the same as on beef.

Mr. POAGE. Just the same as on what?

Mr. LYNN. On beef or any other commodity.

Mr. POAGE. Certainly. Now, when the price of wheat goes down, what do you think should happen?

Mr. LYNN. The price of bread ought to come down if everything else remained the same.

Mr. POAGE. It should, I agree. How many times since 1950 have you appeared here and protested an increase in the price of bread?

Mr. LYNN. I do not think that we have. I do not believe—I do not think that you have had any hearings on that. We might have been heard if you had had.

Mr. POAGE. We are not having hearings on that particular item right now, but you are here protesting the price of bread.

Mr. LYNN. Yes.

Mr. POAGE. I ask that question because according to the figures I have here, beginning in 1951, during the last 14 years the price of bread has gone up every year—every year—and that in 9 years out of those 14 years the price of wheat has gone down.

Now, I am getting to the thing that disturbs me, the fact that you would come here and protest when you foresee a price increase in bread as the result of an increase in the farmer's income. Someone has increased his income in 9 out of the last 14 years—I do not know who it was—it was not the farmer, because when the price of wheat went down the farmer's income did not go up, but the price of bread did go up more often than it went down. I want this in the record.

In 1952, the price of wheat went down 2 cents as compared with the previous year, 1951, but the price of bread went up two-tenths of a cent a loaf.

In 1953 the price of wheat went down 5 cents but the price of bread went up nearly one-half a cent—actually four-tenths of a cent.

In 1955, the price of wheat dropped 13 cents a bushel and the price of bread went up exactly one-half cent a loaf.

In 1956, the price of wheat went down 2 cents a bushel and the price of bread went up three-tenths of a cent.

In 1957, the price of wheat went down 5 cents a bushel and the price of bread went up almost 1 cent—nine-tenths of a cent.

Remember that: The price of bread went up almost 1 cent with the price of wheat going down 5 cents a bushel.

In 1958, the price of wheat broke 18 cents a bushel, and the price of bread went up exactly one-half a cent.

I did not hear you up here protesting about the burden which somebody—somebody other than the farmer—was putting on the consumer.

In 1960 the price of wheat went down 2 cents a bushel and the price of bread went up six-tenths of a cent per loaf. In 1963, the price of

wheat dropped 19 cents a bushel and the price of bread went up four-tenths of a cent a loaf.

I do not remember your organization appearing one single time to protest any of these increases in bread prices, none of which, we all agree, were the result of the farmers' activities or because of any increase in the farmers' income because the farmer was getting less in every one of those years.

Now, somebody got an increased income each of those years. I do not know who it was. You may have some ideas who it was.

Mr. LYNN. Certainly the farmer hasn't received as much as we would like to see him get.

Mr. POAGE. The farmer certainly did not get any of these increases. The farmer could not have gotten these increases. Now the farmer is about to get an increase in his income as the result of this certificate, but I find that you are here voluntarily—and we are glad to have you—but you volunteered to come—we did not insist on it.

Mr. LYNN. That is right.

Mr. POAGE. You are here to protest?

Mr. LYNN. That is right.

Mr. POAGE. To protest what you call a bread tax, because you feel——

Mr. LYNN. That is right, because we feel the processing tax is wrong.

Mr. POAGE. That the price of bread to the consumer will be increased? That the consumer will have to pay more? I believe it involves seven-tenths of a cent a pound, is that not right?

Mr. HEIMBURGER. That is right.

Mr. POAGE. In actual additional cost. You agree that is about right?

Mr. LYNN. If that is the certificate. I do not have any better figures than that with me.

Mr. POAGE. I think that is about what we were told, but I think that is about right. If you add 50 cents to the cost of a bushel.

Mr. LYNN. We were just quoting the principal sponsor of the original bill, Mr. McGovern, who made a speech on the floor of the Senate and said, "Sure, this will add about a cent a loaf to the price of bread."

Let me just make one other statement.

Mr. POAGE. Certainly.

Mr. LYNN. We are a minority group and we are losing our political force as farmers every year. The Supreme Court decision, I am sure you recognize the significance of this as to our influence in the total economy. Now, you can call it a bread tax, a certificate, whatever you will—it is a compensatory payment to the producers paid for by the consumer of the bread. We know as well as I am sitting here that that is correct, and I think, Mr. Poage, you do, too. And that when you look to the future we are not going to be able to get this kind of money and this kind of processing taxes approved by the consumer or any Congress of the United States. And what we are trying to do is not to just look to 1966 or 1967 but to look 5 or 10 years down the road—to see what will happen. Look what this administration has done to our labor program, our bracero program, in spite of all that you tried to do and all that we have tried to do. And I

think that when the time comes this certificate will be cut. We will have established a price of wheat at the world price, \$1.20 or \$1.25 a bushel, and then where are we if the certificate is cut off?

Mr. POAGE. I am happy that these statistics do not bear out your contention——

Mr. LYNN. This is——

Mr. POAGE (continuing). Your contentions, because most of the countries of the world—most of the countries of the world do maintain far higher prices on their domestic wheat than the world price. This is true of the most highly industrialized nations of the world. Wheat in France sells for more than \$3 a bushel and so does it in Germany, as you well know. And yet France exports wheat at considerably less than that—about one-half of that. The highly industrialized nations of the world, where the farmer population is percentagewise even less than it is here have succeeded in maintaining farm income by going to their people and frankly stating to them just like labor has said to our people, that, “This adds to your costs, sure, but do you want these things at the cost of sweatshop wages?” And the American people have said, “We want you to make good wages.” And the American farmer, I think, ought to go to them with the same attitude, to the same source, that is, to the American public, and I think that he will receive the same fair answer. On the other hand, when we go calling attention to the fact that the price of bread will go up, that it will be a “terrible tragedy” to all consumers, then the American public does not understand, because they have heard from the Farm Bureau and from a few others that the farm program is going to cost them a great deal. Therefore, they are reluctant to accept any farm program.

I do not mean that you are here deliberately doing this—I know that you are not. Maybe you are right and maybe I am wrong, but as I see it, what you are doing is effectively destroying the opportunity for that closer relationship between the consumer and the producer which we ought to have, because you have picked out the only case in 14 years where the consumer might pay more in behalf of the farmer and you have spoken about that, but back here in 1957 the price of bread went up nine-tenths of a cent a pound and not one word of protest from you. I do not know who made that nine-tenths of a cent—whether it was the miller, the baker—whether it was the grocer or whether it was the distributor—but somebody made it, and it was not the farmer. And you offered no protest.

Apparently the Farm Bureau has been perfectly willing to let the price of bread go up, unless the farmer is going to get that increase. Is that not exactly what the record shows? Certainly, although the price of wheat has gone down 9 out of the past 14 years and the price of bread has gone up every one of those years, we have heard no protest from you until the annual increase looked like it would put some money in the farmer's pocket.

Mr. LYNN. We have not had a chance to testify on this.

Mr. POAGE. One time out of 14—the one time that there seems to be a possibility that it will increase income to the farmer, you come and protest it, because this little aid to our farmers might increase the price of bread.

Mr. LYNN. Well, Mr. Poage, I am sure that you would not want to try to get me in the position of being against the farmer, because it is our business to be for the farmer.

Mr. POAGE. I agree, and it is merely a question of which is the best way to help the farmer.

Mr. LYNN. That is exactly it.

Mr. POAGE. That is the way it is. I think that I have the best way and you think that you have the best way. I just don't understand how you help the farmer by reducing his income.

Mr. LYNN. I think that if you really understood our recommendation and what we are recommending you would be for it. We have been hoping for that for a good long time. We are talking about this bread tax and we use this as the best weapon we have to be against something that is inconsistent with what we are for. You are using some weapons on us this morning, the best ones you have. We are using this.

Mr. McLAIN. What we really object to, Mr. Poage, is the processing tax principle. We do not object to the price of bread going up in the marketplace, if the market price of wheat warrants it going up. We never have, as you have indicated by your statement here. What we object to is the principle of the processing tax which, of course, the Supreme Court ruled out of order in 1936, as you will remember. I have been pretty close to these programs, such as the old hog processing tax. It was wrong then. Our people still think it is still wrong. The principle of the processing tax is wrong. We have a spectacle here where under this bill you are going to increase the processing tax to the consumers of bread most of whom are the poorer class of people, because they do use more flour and bread than other people do. At the same time the administration is going to have a bill, as we understand it, to reduce the excise tax on furs and jewelry and luxury items at the same time you increase the tax on bread. This principle is wrong.

When you start going this way, and I'm sad to say, the administration is proposing the same program for rice—and I do not think that Senator Ellender will buy it but where do we go? Are farmers going to have all of our income come out of the processing tax? This is a dangerous precedent. That is our plea. It is not the fact that the price of bread goes up. You know that as well as we do.

Mr. POAGE. I think that is probably the very point that I want to make. When an increase in either the price of wheat or the profit of the processor or other handler of wheat raised the price of bread every year you did not find anything wrong with that—not until that increase was about to help the farmer. Only then you decide to come to the rescue of the consumer.

Mr. McLAIN. We were not praising it.

Mr. POAGE. I know, but when the increased cost of bread goes to the farmer, you asked to have an opportunity to condemn.

Mr. DOLE. Will you yield?

Mr. POAGE. In a minute.

In 9 of the past 14 years the price of wheat has gone down and the price of bread has gone up. And as Mr. Lynn has said, there has been no justification and I agree with him thoroughly. I thought it was

most unfortunate that the price of wheat went down and the price of bread went up.

Mr. McLAIN. You have to find out from the commission, the commission that you have in operation here is supposedly going to find out this answer.

Mr. POAGE. We hope that they do, but all of us have been thinking that we knew some of the answers. I have been doing some talking and others have been doing some talking around the country and suggesting that some of these middlemen were making too much. I made some speeches on that several years ago and I said that it looked as if the middleman was making too much. That is what it looks like to us right now.

You have not made any statement other than it looks to you like the farmer is going to get something—that the consumer is going to pay the farmer something that you feel he should not pay him. So you immediately come in to protest it, even before it happens.

Mr. McLAIN. It is the mechanism that we protest. Let us be sure that we understand this. I have tried to make it clear. It is the mechanism that you are using here—the processing tax mechanism. Our people have been dead set against this for many, many years. And that is the way they are. I think they are right. And I think that some day you will agree that they are right.

Mr. POAGE. Obviously, it is one of those things. I certainly have no omnipotent judgment so as to be able to tell you that I know that I am right, and I know that you are wrong, but we do have differences of opinion attempting to get a better way to increase the farm income.

Mr. LYNN. That is right.

Mr. POAGE. This certificate requirement seems to be a practical way, one that actually will result in getting some additional income for the farmer, but as you suggested, if we allowed the support price of wheat to drop by approximately 10 percent—you say 90 percent of the last 3 years, which I think, is 10 percent—it comes to exactly the same thing.

Mr. LYNN. Not on wheat. Our recommendation is the average of the last 3-year world price for wheat. It is on feed grain that it is 90 percent of the previous 3 years.

Mr. POAGE. Of course the basic idea is the same. You propose to let the support price come down to a lower level, with the idea that, ultimately, you will so expand the market that we can make more money at a lower price. That is your suggestion is it not?

Mr. LYNN. Make more money at the market price which, necessarily, does not mean that it is lower.

Mr. POAGE. Well, now, you say not necessarily lower, but you cannot on any reasonable basis assume that the world price of wheat is going to be substantially increased in the foreseeable future? I have never heard anything to that effect or have seen anything that would indicate to me that that might happen. The same thing is happening over the world which happened in the United States, but we are a little ahead of the rest of the world. The per capita consumption of wheat has gone down for many years. There is little reason to assume that in the face of a situation of that kind that your world price is going to go up. Let us assume that it could happen. But the chances are that it will not and the chances are

that your price of wheat will go down and not up. The only thing that you have for certain—the only certainty in that program is the certainty of lowering the support price. That is the only absolute certain factor. The others are imponderables.

Mr. LYNN. That is not necessarily true, Mr. Poage.

Mr. POAGE. Is it not? What is it then?

Mr. LYNN. The world price can go up.

Mr. POAGE. I am not saying that the world price cannot go up. I am only saying that the only absolute certainty in this program—your proposed program is the lowering of the total return to the farmer—that is a certainty with regard to your program.

Mr. LYNN. It is a certainty that the support price, if you adopt your proposal, which is \$1.25, will be the current world price.

Mr. POAGE. Plus the certificate?

Mr. LYNN. Which is——

Mr. POAGE. You say to take the certificate off?

Mr. LYNN. Yes.

Mr. POAGE. You do not want the certificate?

Mr. LYNN. But you are establishing a new price support for wheat under this bill plus the certificate. That is all that you are doing.

Mr. POAGE. And the total comes to \$2.50 for the domestic portion of the wheat and \$1.25, is it not, for the export portion of the wheat, or what it could be under the terms of this—it could be more but that is not an absolute certainty. But let us assume these figures, which gives you an average, I believe somebody figured it out that the average would be \$2.12½ cents. I believe those were the figures that were presented yesterday or sometime around here.

Mr. LYNN. That is right. \$1.87, I believe it is.

Mr. POAGE. Somewhere in that range.

Mr. LYNN. It would be 45 percent of the wheat used for food use.

Mr. POAGE. I suppose that \$1.87½ is without any export certificate, and if you have the export certificate you would bring it up about one-half as much as you now get for the export certificate.

Mr. LYNN. We are also impressed with the effect that this certificate plan may have on the imbalance of our livestock feed ratio again. As you know, the Secretary makes it clear that he is setting the price support of wheat, so that it will be fed, and with the continued increase in feed grain production per acre, in spite of the feed grain diversion program that we have, we can see some real dangers here of subsidizing the feeding, the increased feeding of wheat into the livestock business.

Mr. POAGE. I think that is worthy of a good deal of consideration. I shall not go into it at the moment because of the lack of time, but it seems to me that it is rather important. I understand that there is only one area in the United States where they can produce more units of feed by growing wheat than they can by growing other feed grains. Is that not basically true in the Pacific Northwest?

Mr. LYNN. Yes, but other areas, too.

Mr. POAGE. In all other areas you can produce as much or as many units of feed per acre of land by using other feeds, corn, basically, or grain sorghum or barley, possibly oats in some places. But certainly if you can produce more units of feed off an acre of land by growing feed grains than you can by growing wheat, then certainly if you can

do that to the extent that you use wheat as a feed grain you are relieving the pressure on the feed grain people. You are reducing the volume of units of feed that go on the market and you are supporting the livestock market because you have less feed from each acre than if you grew feed grain on it.

Mr. LYNN. This is a valid point that you make, but our additional point is this, that you take a farmer who is producing, let us say, 1,000 acres of wheat, 45 percent of that production is under a very high certificate as proposed in this bill, \$1.25. And when you blend those—when you get \$2.50 for 45 percent of your wheat, then you can dump, if you please, or sell for \$1.25 or \$1.30 or below your additional wheat that you do not have any home for onto the feed grain markets. And it is not, sir, this Northwest thing we are fearing so much. It is not that—but it is the Midwest—such as this article that we read from the Tulsa paper that we fear.

Mr. McLAIN. These livestock people, and we have several Congressman sitting around the table here from livestock areas—they will be hearing about this more and more, this Tulsa illustration, which is a good indication of what is facing us.

Mr. LYNN. We believe that the administration bill could put 400 million additional bushels of wheat into the feed grain market—

Mr. McLAIN. Under a rigged market.

Mr. LYNN (continuing). Under this program and this could be disastrous and we want to make sure that you understand and therefore we flagged it.

Mr. OLSON. If you will yield.

Mr. POAGE. Yes.

Mr. OLSON. However, this will be determined upon the basis of the mechanics that we might put into the legislation to allow for a transfer of production. If these acres are confirmed to the use of wheat, then our program is going to affect the reduction in the production of wheat. I cannot see any real danger here unless we allow these acres, under the substitution provision to be transferred into feed grain production as Mr. Poage has pointed out would produce more units of feed.

Your point is that if you treat the portion of wheat acreage not for domestic use as being free they can then go into these units.

I follow your illustration, that it is akin to several milk-marketing orders and what has happened in their trying to employ a two-price system. It results in a blend price which is not possible in the wheat program. We are trying in this committee to effectuate an identification of the utilization in the Federal order areas of milk and I believe that legislation would accomplish some purpose if it were effective—if it were mandatory. Then we could identify usage and we would not have price blending and surplus production disrupting our manufacturing milk markets.

So I feel that there is a problem here that we should be concerned about and should look at.

I think that if we can effectuate and overall reduction in production and also increase farm income, then we must do so, but if we ever get to a system where we allow for a blending of prices to bring the total price structure down, then we are in more trouble.

Mr. McLAIN. This is precisely our point, Congressman Olson. This, basically, is one of the principal reasons why our people for many, many years have objected to multiple-price principles, because it sets up a rigid operation. And now it will be higher if you adopt this 100 percent thing so that they can use this blended operation to utilize this wheat for feed at a price that will attract people to get into the livestock business who would have never done it otherwise. This Tulsa story illustrates it real well.

Mr. OLSON. You have not pursued the same principle in applying them to your suggested program. If you bring the total price structure down and have no effective program, then they will transfer and the farmer will be free to make any decision that he so determines as being the best one, and as the price of wheat in the United States approaches the world price level, then certainly in Minnesota and in South Dakota and in Iowa and in the areas where they can produce very effectively 100 bushels per acre of corn, they will then determine themselves that rather than \$1.30 wheat they would be better off shifting into the production of feed grains. So you have to apply what you are saying to your own program.

Mr. McLAIN. I do apply it.

Mr. OLSON. What I am saying is that through this program that we propose we can better identify these facts and we can better do something about them.

Mr. McLAIN. You see, in our program we do not rig either commodity over the other like the wheat program is rigged in the current blending operation. That is the difference. Of course, we would argue, Congressman Olson, that the price of wheat under our program could well be much above where it is currently under this program. I think if it could ever be demonstrated, we would see that it would be, because the high guarantee would be out of the program of producing wheat for a lot of people. That is what keeps these people producing wheat now and they will continue to keep producing wheat at \$2.50 guarantee per bushel.

Mr. OLSON. Your support proposal for wheat would be 10 percent below the——

Mr. LYNN. No, no.

Mr. OLSON (continuing). World price?

Mr. LYNN. No; it is the world price.

Mr. OLSON. The world price?

Mr. LYNN. You said 10 percent below it. We just have the average of the world price for support.

Mr. OLSON. You have the average of it?

Mr. LYNN. That is right.

Mr. OLSON. The average of the world price. Do you hold out any hope in your program that it will ever be above the world price?

Mr. McLAIN. Yes, sure.

Mr. LYNN. Yes, sir.

Mr. OLSON. On what basis?

Mr. LYNN. On the basis of the figures that we have given you when we had the program removed after the wheat referendum failed. We were operating in a similar program then when the wheat futures on January 6, 1964, were \$1.81.

Mr. OLSON. I suppose that we could go through that argument again. You refer to the futures market. I think this is a valid example that you never did operate under such a program.

Mr. LYNN. Mr. Olson, if there is a difference here, the difference is that we believe that the market price will function if given an opportunity without competition from the Commodity Credit Corporation.

Mr. OLSON. May I say this, the forces of supply and demand that you have championed every time you have been up here to testify, if you are producing more wheat right now than you can consume in the world market for cash at the world market price and the domestic price, whatever price it may be, do you not think that the world price of wheat will influence the domestic price in total?

I have never seen any such examples in a supply-and-demand situation that would allow this.

Mr. LYNN. Soybeans up to now have been.

Mr. McLAIN. Livestock has been an example ever since I can remember.

Mr. OLSON. We consume those domestically, soybeans are sold at a price in the world market that equals the domestic price. There is not any differential.

Mr. LYNN. That is what we are recommending.

Mr. OLSON. Then you recommend that obviously the world price of wheat is what we must accept for all our wheat?

Mr. LYNN. It would be about \$1.36 as it is currently.

Mr. OLSON. Then I say that you have a much greater problem of substitution getting back to what originally caused me to get into this discussion and I do not want to take any more time.

Mr. LYNN. We appreciate your questions. We almost quoted you in this statement for some of the things that you have been saying. We took it out. Well, I heard you. I heard you.

Mr. OLSON. I think that it is a matter of having these exchanges of views that is beneficial. I think they serve a good purpose. I believe that we should explore all of the positions that we can so that we can come up with much better answers.

Mr. POAGE. Mr. Latta.

Mr. LATTA. First of all, I want to commend you and your organization for the consistency of your position. I have been a member of this committee for 7 years, and every time you have come before it your position has been the same.

However, I have noticed with some amazement that the administration and the Department of Agriculture in particular, and some of the other farm organizations seem to be adopting some of your recommendation that they have opposed over the years.

You probably noticed that the Secretary of Agriculture when he was before our committee came out for a cropland retirement program. In the past he has steadfastly said, "We do not want any cropland retirement program," et cetera, et cetera.

Yesterday we had the National Farmers Union before the committee. They have in the past taken a position as has the Department of Agriculture for having a 105-percent CCC release price. But lo and behold yesterday they asked for 120-percent which they admitted

was not their previous position. Farm Bureau has been for a higher release price for years.

I think the Farm Bureau has advocated the establishment of a common wheat feed grain base for many years.

Mr. McLAIN. Six or eight.

Mr. LATTA. Yesterday the National Farmers Union came before this committee and said that they wanted it—that they were for it. Is their organization suddenly seeing the wisdom of the Farm Bureau's position.

I do not think that what you have been advocating is without hope. Maybe some people are beginning to see the light. I want to again commend you for the consistency of your position.

For the record, let me clear up something that I know that Mr. Poage would not want to let stand in the record, and that is that the farmer gets the benefit of all of this processing tax. That is not exactly true, is it—how about the noncomplying wheat farmer—does he get any benefit from the certificate that the processor is obligated to purchase?

Mr. McLAIN. The only one that gets the benefit is the cooperating farmer which, of course, in numbers is less than one-half of the wheat farmers.

Mr. LATTA. So if we raise this certificate to \$2.50, the noncomplying wheat farmer will not get any benefit from this increase?

Mr. McLAIN. He gets none from the certificate.

Mr. LATTA. If this \$2.50 is such a good idea, why not raise it to \$3. It would only raise the price of bread 2 cents. Assuming that a family uses one loaf of bread a day, that is only \$3.65 a year; so that if we raise it to 2 cents, that will be \$7.30 a year and that is not too much for a family to pay when we consider that the other day this Congress passed a medicare bill which puts an additional annual tax on the person who makes \$5,600 a year, come January 1, of \$69.60. So in comparison if we raise this certificate to \$3 and increase the cost of a family's bread \$7.30 a year, that is not much of an increase. I think perhaps that the advocates of this program ought to consider this. Our farmers need the additional income. Their income has not kept pace with the rest of our economy.

I am however, quite concerned about this program, because the Secretary indicated here the other day before this committee and has preached it throughout the country, that farmers entering the program would get their share of the domestic market in certificates. And as I pointed out to the Secretary, the domestic share of the spring wheat production is about 75 percent, but under this program he gets certificates on only 45 percent of his production. Sixty-two percent of our Soft Red Winter wheat is used domestically but the producers get domestic certificates on only 45 percent. The Hard Red Winter wheat farmers produce about 41 percent for domestic consumption, but under this program they get certificates on 45 percent. Would you like to comment on these percentages?

Mr. McLAIN. We made quite a point of this, Mr. Latta, in our original statement by Mr. Shuman which goes into great detail. Frankly, we are perplexed at how people from these areas that have a high percentage of the wheat that is produced and used for human consumption ever support this program—could ever support this program and

face the voters. In our judgment it is very unfair to them. As I say, we put a table in the record to indicate that this is one of the big flaws in this program as we see it, the way it has operated the last 2 years, and it will be even worse when you extend the value of this certificate. This is one of the principal reasons why we think that the program is very unfair even between the classes of wheatgrowers.

Mr. LYNN. Just to indicate these figures again, on the Hard Red Winter, 37.1 percent of that is used for domestic use. They will get the greater share of this by increasing it up to 45.

Mr. LATTA. This is on the 5-year average, is it not?

Mr. LYNN. This is the average, Hard Red Spring will be 76.2 percent of their wheat which is used for domestic use. They will only get certificates for 45. The Soft Red Winter wheat, 71.3 percent of their wheat is used domestically and this is over a 5-year period and so on.

Mr. McLAIN. The point that the secretary or the spokesman for the Department made was that all of this would be reflected in the market. Therefore, they would get the premium. This is not accurate, because if you are going to release Commodity Credit Corporation stocks to hold the prices down your market cannot function, you see, so that this answer, of course, just does not hold water.

Mr. LATTA. I heard the argument presented that certainly in my opinion is a fallacious argument as to the reason why we ought to go along with this 45 percent deal; that is, that there is an export subsidy paid for the exported Spring wheat and also for the export of Soft Red Winter wheat as there is for the hard varieties. Is there any connection at all, in your humble judgment, between what we are talking about and whether or not an export subsidy is paid?

Mr. McLAIN. It has no connection with the issues that you raise. Of course, the export subsidy varies by port location and qualities of wheat.

Mr. LATTA. We are talking about two separate matters; are we not?

Mr. McLAIN. Absolutely.

Mr. LATTA. We are talking about the domestic certificates and the domestic consumption of a particular class of wheat on one hand, and on the other, we are talking about an export subsidy, something completely unrelated. However, this committee heard this argument the other day.

Mr. McLAIN. We would see no connection between the two.

Mr. LATTA. I want to go to one other thing.

What, in your judgment, would be the price of soybeans if we permitted them to be planted on diverted acres?

Mr. McLAIN. The crop estimate which you have available, and I quote from it—indicates that the intended planting to soybeans in 1965, Mr. Latta, is going to be up over 2,500,000 acres, the largest increase in acreage since 1950, except the year that the Secretary dramatically raised the support level in 1961. This has come about because of the real good price for soybeans. They have been that way most of the year and are real good right now when the farmers are laying their plans. We are sure that of all of the things that we are covering this morning, gentlemen, this is the one that is brand new that I think you ought to have a real good look at before you become any part in letting any Secretary of Agriculture have this kind of au-

thority. I would not want it if I were in his seat, because if he gets it and then the price of soybeans does take a toboggan, he will get the entire blame for the action. Soybeans have been a marvelous crop. They have expanded dramatically acreagewise and utilizationwise. Why would we want to louse them up by inserting in the bill the right to use the diverted acres or to shift planted acres from feed grains to soybeans? Soybean growers are doing real well. Farmers are expanding their acreage and the price has been good. And it is getting to be one of the top crops in this Nation.

So we are just as opposed to this as we can be. And our members are solidly behind what we say in this field.

Mr. LATTA. The Secretary indicated to the committee that if he received this authority he would not use it.

I ask why does he ask for it if he does not want to use it?

Mr. LYNN. We may not always have Mr. Freeman as the Secretary of Agriculture in the Department of Agriculture. And the only certainty of whether he is going to use it or not from year to year will be to have a very disrupting effect in the soybean market.

Mr. McLAIN. You see, we have respectable people here who are proposing this, saying that the market price will not take care of the needs we are going to have. Farmers have demonstrated in the crop report intention here what they are going to do. And you keep the price around \$3 and we will have plenty of expansion in soybeans, I can assure you of that.

Mr. LATTA. That is all.

Mr. POAGE. Thank you, Mr. Latta.

The Chair also wants to set the record straight. Mr. Latta attempted to correct the record for me, but I believe that I can do that myself.

Mr. LATTA. I did not even refer to my friend by name, Mr. Chairman.

Mr. POAGE. I do want to get this clear about the question as to why we do not raise the certificates to \$3, and why we are taking \$2.50; \$2.50 is, as I recall and understand it, the parity price on wheat. And that is the sole reason for fixing on that figure.

I believe in parity and have sought to get as much parity as we could for a long, long time. I believe in trying to get \$2.50 which is parity, but I do not believe in trying to go above parity. Were we to do so, it seems to me that we would impose a burden on the consumers for which we cannot offer a justifiable explanation. It seems to me that as long as we are asking no more than parity that we have a sound position on which to insist that the consumer pay any price up to parity, but the minute that we go above parity and say that we want a better deal than the rest of the public is getting, as the gentleman from Ohio suggested when he suggested \$3, well, that sum of \$3 would give the producer a greater buying power than the man who works in the factory or the man who engages in some other enterprise. All I have ever asked for is that the farmer be given an even break with the rest of the Nation. I would like to get that even break for the farmers. I do not think that we can get it by seeking to overreach ourselves or by demanding that we grab for the farmers an unfair advantage. That is why we do not ask for \$3, Mr. Latta, or \$5 or \$10.

I think that you could force the price of domestically consumed wheat almost to any point that you want to, but I do not think that it is a fair thing to force it above parity. Not many people would eat cornbread even if wheat went to \$5 a bushel. However, I do not think that we ought to force the price of wheat to \$5 a bushel.

Mr. LYNN. We should not force it down.

Mr. POAGE. I beg your pardon?

Mr. LYNN. We should not force it down.

Mr. POAGE. We should not force the return to the farmer down. That is, the return to the farmer. You are talking about the price, and I am talking about the return to the farmer.

Mr. LYNN. I am sorry.

Mr. POAGE. I know what you are going to say. You will just tell me, "Oh, yes, you are going to force the prices down and let the price go down in the world market." It is true that we propose to let the market price go down but we propose to then make up the difference with the certificate. So that the cooperating farmer's income would still be parity on his share of the wheat consumed at home for food.

Mr. LATTA. If I may——

Mr. POAGE. I did not interrupt you—I did not interrupt you one time, Mr. Latta.

Mr. LATTA. Excuse me, but I think we should keep the record straight.

Mr. POAGE. The gentleman from Ohio has been correcting the record and I want the record to show that I am in favor of full parity but I am not in favor of asking that the consumer pay more than parity. I think that if we can get parity on both sides that we can have the greatest possible interchange of goods and the highest standard of living for everybody in the United States. When everybody, the farmer and the laborer can all enjoy the greatest possible buying power.

Whenever any group falls below that level so that he cannot exchange his product for a equal amount of the work of another group, then you find everybody suffers. That is why I believe so strongly in the parity principle. And I want to reiterate while we are speaking for the record that as far as I am concerned I am in favor of trying to get a fair income for the wheat farmer. And I am not going to be opposed to an increase in the consumer cost just because it comes out of the farmer. To keep this record straight, since we are correcting the record, for the last 14 years the price of bread has gone up every year and the price of wheat has dropped 9 out of those 14 years. I think that is just as much of a burden on the consumer when the price of wheat drops as it did in 1958 by 18 cents a bushel and the price of bread went up one-half cent a loaf—it went up and not down although the price of wheat went down, but the price of bread went up—and the year before the price of wheat went down 5 cents a bushel and the price of bread went up nine-tenths of a cent a loaf. I think that that was just as hard on the consumer as it is if we add seven-tenths of a cent a pound extra cost to a loaf of bread by increasing the farmer's income.

I think the record should show that our present witnesses here today were not here in 1957 or 1958 protesting the increase in the price of bread.

Mr. LYNN. That was——

Mr. POAGE. At that time. At that time the increase went to somebody other than the farmer. This time they suspected that there will be an increase in the price of bread because the farmer is going to get something more. Therefore they are very concerned about it.

Mr. McLAIN. So that the record is clear we object not to the price of bread going up, but we object to the processing tax principally involved in the problem. That is all we have said in our statement here.

Mr. POAGE. No; you come here and you talk about a "bread tax."

Mr. McLAIN. That is part of the processing tax.

Mr. LYNN. That is a good weapon. We are going to continue to use it. It is obviously a good weapon, because it has got you very disturbed.

Mr. POAGE. I do not object to anyone using any weapon that you take the responsibility for using, but anybody who uses it has got to take the responsibility for it. I think that there is some point in what you are saying in using it.

Mr. LYNN. We are happy to take the responsibility for it. When our membership starts going down in the wheat area we will come in here and express some concern, but as long as it is going up we feel that these members are for what we are advocating here.

Mr. POAGE. Mr. Dole.

Mr. DOLE. I am not certain of the years, but I believe Mr. Poage stated that from 1951 to 1959, there was a total drop of 68 cents in wheat. In other words, are you saying the price of bread in 1959 was lower than in 1961?

Mr. POAGE. I am saying that the price of bread was substantially higher. The price of bread was 6.2 cents higher in 1963 and 1964 than it was in 1951.

Mr. DOLE. What about the price of the wheat—what was the total increase or decrease?

Mr. POAGE. The price of wheat was down from \$2.11 in 1950, to \$1.75 in 1963.

Mr. DOLE. Five years of total decrease?

Mr. POAGE. Five years of total decrease, yes, sir.

Mr. DOLE. I want to mention in the record a provision in the bill I have been hearing about which provides for the transfer by sale or lease or devise or gift of allotments. Has your organization given serious consideration to this?

Mr. LYNN. We have assumed that you would have additional hearings on that title. Is that correct? That is the reason that we did not cover it here.

Mr. DOLE. It would affect both wheat and feed grains.

Mr. LYNN. Yes.

Mr. DOLE. We have talked about parity in years past, and then parity of income. I wish there was more talk now about parity of income. Mr. Poage is for parity, and most of us are, but apparently he is only for parity on 45 percent of the production, because this is all that this bill will provide, that is, parity on the wheat used for domestic purposes, which is 45 percent of the total production.

Are you saying, Mr. Lynn, there is nothing we can do in the wheat and feed grain section to improve this bill enough to be satisfactory to the Farm Bureau?

Mr. LYNN. We are opposed to the certificate plan. We have made it very clear. I do not see how you could amend it to get around that.

Mr. DOLE. The provision then concerning the cropland adjustment program does not alter your position with reference to these two commodities?

Mr. LYNN. The cropland retirement program as suggested in this bill that is before you will not have any effect on reducing the production, because you cannot superimpose a cropland retirement program on a diversion program as provided for under the wheat and feed grain bill. The payments are too lush.

Mr. DOLE. In other words, the price paid for the diverted acres under the wheat and feed grain program is so much higher than it would be under the cropland adjustment program.

Mr. LYNN. That is right. This is right.

Mr. DOLE. Do you agree in principle that if we separate that title from the other that would make any difference?

Mr. LYNN. No, sir. The cropland retirement program just cannot be superimposed on the extension of the current feed grain program and the certificate plan for wheat and work.

Mr. Jaenke, if we heard his testimony correctly, simply clarified in effect the fact that they would take away the diversion program and so on, but I do not think that there is anything in the bill that would authorize this.

Mr. DOLE. In other words, it is your opinion then that it adds nothing to the program at all?

Mr. LYNN. No, they cannot stand together and operate. You can have it in name, but you just are kidding yourselves with that.

Mr. DOLE. You do not think it would reduce the acreage around the country?

Mr. LYNN. Very little—not the kind of acreage that is causing the problem. It might attract some of the land.

Mr. DOLE. You do not think it would attract the better land?

Mr. LYNN. Some of the land but not good producing land.

Mr. DOLE. Another thing of concern, in which most of the farm organizations concur, is the resale price of CCC stocks. Secretary Freeman for the first time indicated, so far as I know, that the reason to keep it low was to force compliance in this voluntary program. I think that those two are inconsistent, that is, if you do not have a voluntary program, if you use a club to force compliance. Do you think the resale formula has to be as high as 125 percent?

Mr. LYNN. This is our policy currently in the bill before the committee. I guess it would be difficult to say whether it ought to be 125 or 120, but we believe it ought to be high enough to let the market reflect itself.

Mr. DOLE. As I understand it, this benefits both the cooperators and the noncooperators—not just those who cooperate?

Mr. LYNN. That is right.

Mr. DOLE. Do you think that there would be substantially less compliance if the resale price were raised?

Mr. LYNN. I think there is no question about it. It is necessary for the Secretary to have this weapon if he is going to force compliance with the wheat and feed grain program. But, Mr. Chairman and Mr. Dole, I started out in 1933 administering these programs. This is a

new concept we have here today. The original concept of commodity credit was to remove the stocks off the market so farmers could reflect the market. This new concept of using these stocks to decrease market prices is a complete reversal of the basic philosophy of the Agricultural Act of 1938 which we have always supported.

Mr. DOLE. There has been some speculation at least that possibly it would be best to have a reserve of several hundred millions of bushels.

Mr. LYNN. That is just a strategic reserve.

Mr. DOLE. Yes; there would be a higher resale price until we were below this magic figure, whatever it might be. Does that make any substantial difference or do you think it would?

Mr. LYNN. We have studied this some and we are not sure. Any time you have a large stock, whether it is strategic reserve or whatever it is called, it has a depressing effect. If you set this aside and applied the release price of 125 percent it might have some good effects. I mean it might have an effect of buoying up the market price. I am not sure about it; maybe you are.

Mr. McLAIN. The uncertainty in it, Mr. Dole, of course, is that if the Congress fixed it specifically as to how much this reserve was going to be, this would be one thing. We have had some strategic reserves before, a set-aside for operation of Public Law 480 back in the fifties. Our experience with this was not very satisfactory for the simple reason that you have so many variables in it that really nobody knows what you are going to do. And I think that most of us here would agree that the ideal place to carry these stocks is in the private trade hands rather than in the Commodity Credit Corporation. I know that is our view. And when you do not know what is going to happen, even by changing a law, we have had some experience in this in the strategic reserve in the other stockpile of minerals and so forth. They are trying hard to get these stocks down now. And they were back in the 1950's because they were a drug on the the market and still depress market prices.

Mr. LYNN. Long-staple cotton is the best example we have.

Mr. McLAIN. That is a real good example. If you think that you will hide it in the strategic reserve you are kidding yourself. It is visible. The people who use the commodity know it is there, and they do not know what the Congress will do next week to change it. So that if you think a reserve stockpile will solve problems—I am not saying that you do—I think, however, that you ought to think seriously about it before such action is taken.

Mr. DOLE. What is your answer to the argument that by raising the sales price of the commodity stocks that it would increase the surplus of wheat but also the cost to the Government?

Mr. McLAIN. Everything else being equal, you learn this real fast, when you help run the Commodity Credit Corporation. When you sell a bushel or bale out of the Commodity Credit Corporation stocks that would otherwise be bought in the free market you do not create any more demand at all. You just bring in another bale or another bushel. This is what we are doing with cotton right now. Unless you expand the total utilization it does not make any difference where you take it from. If you take it out of Commodity Credit Corporation stocks, you have to take it in the back door, you see.

Mr. DOLE. In other words, are you saying that if you raise it to 115 or 120 it would not necessarily increase the cost to the Government?

Mr. McLAIN. Everything else being equal, then you would take your supply for export and domestic use out of the current production which would help raise the market price which we think ought to be done. Of course, this is inconsistent if you are going to start selling CCC feed grains and wheat and cotton at the loan rate, because you cannot go both ways at the same time. That is why we are for raising this resale price so that the market will have a chance to operate. We think this is the intent of the original act that we have had since 1938.

As Mr. Lynn said, we are moving in a different direction now.

Mr. DOLE. Yes, as indicated in the statement by the Secretary, to use this to force compliance.

Thank you.

Mr. POAGE. Mr. Redlin?

Mr. REDLIN. I have just one comment. One of you gentlemen made a statement regarding the wheat certificate plan signup as being 50 percent.

Mr. McLAIN. Of the number of farms, I think the record will show that it is about that in the new signup.

Mr. REDLIN. At this point I want the record to show that in North Dakota, the State that I represent, over 95 percent of the eligible farmers have signed up for the wheat program for the year 1965.

Mr. McLAIN. I was talking about wheat. Are you talking about wheat?

Mr. REDLIN. The wheat program.

Mr. McLAIN. I was giving the national figure which is a matter of record, of course.

Mr. REDLIN. The point that I want to make, too, for the record, is that these producers are people who make their living off of this commodity. I am concerned, too, that the record indicates that I would not be among those who would want to believe that the North Dakota producers who must depend on wheat to make a living, can do it on the basis of the world market prices. And they have told me, whether they be National Farmers Union or Farm Bureau or National Grange or whatever their membership is—they have told me in no uncertain terms that they cannot make a living at that price for their crops.

Mr. LYNN. I want to make sure, Mr. Redlin, to say that we are not for the price being at the world market price, either. We think that is too low.

Mr. REDLIN. I am glad to hear that.

Mr. LYNN. Yes; but we are not surprised at the participation in the program. If I was a farmer out in North Dakota I would participate in this program, too, because with the threat of the Commodity Credit Corporation stocks being used to break the market price, what other alternative do you have except to get into the program? We think it is wrong. This does not mean that farmers are for the program.

Mr. REDLIN. Thank you, Mr. Poage.

Mr. POAGE. Mr. Callan?

Mr. CALLAN. If you get compliance with this program, will we not start to overproduce in our markets again, if we do get that?

Mr. LYNN. You see, we recommend in our legislation that wheat and feed grains be treated together so they are interchangeable. If you had one kind of program for one and another kind of program for another, you would soon get into some trouble. Our recommendation is that you relate these two programs together. We think the farmers will adjust to these price supports as we have recommended.

Mr. CALLAN. It is true that if the market price gets above the loan price, the next year you do not get compliance with the program.

Mr. LYNN. In our program we do not have compulsory compliance. We do not have any acreage allotments or marketing quotas for wheat and feed grains, none whatsoever.

Mr. CALLAN. You do not raise any question that the American farmer can overproduce for the market so that he can get a reasonable price?

Mr. LYNN. We have the cropland retirement program which is voluntary. There is nothing compulsory about it.

Mr. CALLAN. Are you saying that the production plant for agriculture in the United States at the present time is too big?

Mr. LYNN. It is too big. This is the reason we recommend, as the Department does, a cropland adjustment program.

Mr. CALLAN. How many acres would we take out?

Mr. LYNN. 40 to 45 million. We agree with the Secretary on this point.

Mr. CALLAN. Do you think that 40 million acres, if you took that number out, would adjust this whole situation due to the fact that the capacity has gone up year after year?

Mr. LYNN. If you also relate these price supports to the market system, as we want to do it, we think that this will be done. Look at soybeans, Mr. Callan. We have no restrictions on soybeans whatsoever. They have adjusted.

Mr. CALLAN. Do you have any idea how many bushels of soybeans urea has displaced in this country?

Mr. LYNN. I did not quite understand your question.

Mr. CALLAN. How many bushels of soybeans has urea replaced?

Mr. LYNN. Urea?

Mr. CALLAN. In the year 1963.

Mr. LYNN. No, sir, I do not.

Mr. CALLAN. 40 million bushels.

Mr. LYNN. I did not know that.

Mr. CALLAN. So would it not be possible for us to price beans out of the market with urea replacing it?

Mr. McLAIN. With the 2,500,000-acre expansion for this year and the price where it is, probably a similar expansion next year, I do not think that you have to worry about this very long.

Mr. CALLAN. I think there is a serious question about that. We have lost 40 million bushels.

Mr. McLAIN. When you look at the expansion we have had in acreage planted to soybeans and the production and the utilization it is doubtful if urea is going to hurt the soybean farmer very much.

Farmers are going to use urea to the extent that they can get it cheaper. That is one of the problems you have with all of these programs when you get the Government in the act of distorting prices or production.

We have had a real remarkable story in soybeans. It is just too bad that we cannot say the same thing about cotton and a lot of other commodities. We would be out of trouble if we could.

Mr. CALLAN. It is true, though, that it is a protein and this is one of the reasons that we have had the success that we have had with beans.

Mr. McLAIN. That is right.

Mr. CALLAN. Rather than with wheat and other products. We have a surplus in practically every country over the world in wheat.

Mr. LYNN. Yes.

Mr. McLAIN. We think that the farmers in this country are making this shift very rapidly to soybeans and the record bears it out. All we plead with you is, Don't change the soybean program and allow it to get into trouble, too.

Mr. LYNN. Do not put anything in this law where you will change the soybean progress, or you will have to take the responsibility for changing this situation.

Mr. CALLAN. Do you agree that the American farmer has been subsidizing the consumers for the last 10 or 15 years?

Mr. LYNN. This Nation has been getting a real bargain at the grocery store. This is evidenced by the percentage of their spendable income that is going for this increase of diet. We think that the farmers have been doing this because the American consumer now is paying only about 18.5 percent for food out of his income. In Russia it is 53 percent and in some other countries it is 35 and 40 percent.

My view is that if the farm prices had gone up in the same ratio as other commodities, the change would have made the food cost in this country about \$3 billion a year higher than it is right now.

Mr. CALLAN. Do you think that your program is going to make the prices higher so that farmers can receive a larger income?

Mr. LYNN. Yes, that is right.

Mr. CALLAN. What will be the price for wheat in 1966?

Mr. LYNN. The price support in 1966 would be in the neighborhood of \$1.36, but the market price of wheat we think would gradually go very quickly to the futures price from January 1964, which is, roughly, \$1.80, Chicago, basis.

Mr. CALLAN. Do you think that it can go very quickly to that point?

Mr. LYNN. This is a kind of mixture of terms, is it not? But I think that it could go rather quickly.

Mr. CALLAN. What do you think would be in 1967 and 1968?

Mr. LYNN. I think that the price support would be, roughly, the same. If we had allowed the market price to operate there is no reason in the world to expect that the market price should not be higher?

Mr. CALLAN. You think, but you do not know?

Mr. LYNN. No; no, I do not know.

Mr. CALLAN. Do you know what the price of wheat would be?

Mr. LYNN. No, you do not, nor neither do we, for sure.

Mr. CALLAN. You do not know in any program?

Mr. LYNN. No, sir, you do not. You know what it will be for the 2 years of this administration bill, but you do not know what this Congress will do to the value of the certificates. In 1967 when it had to be renewed—

Mr. CALLAN. You do not know what it will be in 1966 and 1967 if the bill is passed?

Or, you do know?

Mr. LYNN. As I said in the beginning I am trying to look to the future, longer than a year or two, and I am sure that you want to do that, too. We are living in a different system, we farmers, than we have ever lived in before and we had better recognize it. We are not going to continue to extract the kind of money out of this Congress that we have up to now, that is, for farm programs.

Mr. CALLAN. Thank you. That is all.

Mr. POAGE. Are there any further question?

Mr. OLSON. Just one observation. In the discussion about the termination of the program, would you support the program if we made it for a longer term?

Mr. McLAIN. Our bill is permanent. If you take our bill we will be right with you.

Mr. OLSON. What about increasing the term of our bill?

Mr. LYNN. No, sir; we could not do that. We appreciate very much, Mr. Poage, this opportunity to appear here before you.

Mr. POAGE. Mr. Latta has a question.

Mr. LATTA. I would like to point out the fact that Mr. Poage is absolutely right, in my opinion, when he is for parity, but under this program he would not get parity for all of his production if we raised the certificate to only \$2.50—he would get parity only on 45 percent of his production since he gets certificates only on this amount. However, when he goes into the grocery store and buys groceries, he will have to pay the full price on his total bill.

Do you have any idea as to what we would actually need in the way of a price for the wheat certificates to get full parity for the wheat farmer under this program?

Mr. LYNN. That is very difficult. You know only about 7 percent of the cash farm receipts come from the sale of wheat. I do not know the answer to the question.

Mr. LATTA. Very roughly I have some statistics here and it would look to me to be something in excess of \$3.66 a bushel.

Mr. McLAIN. You are taking the ratio of wheat used domestically at 45 percent.

Mr. LYNN. You confined it to wheat?

Mr. LATTA. Just to wheat. Around \$3.50 or \$3.60.

Mr. McLAIN. I think that is about right. It would be whatever this ratio shows it to be when you figure domestic certificates on only 45 percent of normal production.

Mr. LYNN. I was going to say in conclusion——

Mr. POAGE. Let me ask you a question.

Mr. LYNN. I am not trying to get off. We are here all day if you want it.

Mr. POAGE. I am not blaming you for not coming in with something that would get full parity for all. The practicalities of the situation are, however, that we cannot raise the world market price. At least we do not see how we can raise it.

Mr. McLain and Mr. Lynn think that we can.

Mr. McLAIN. Not to full parity, I do not believe.

Mr. POAGE. I did not say full parity. I did understand Mr. Lynn to say that the world prices would go quickly up.

Mr. LYNN. The market price—the market price. The domestic price.

Mr. POAGE. Which would be the world market price.

Mr. LYNN. No, sir, not always.

Mr. POAGE. I never understood how you get anything other than the world market price on wheat if you are going to have unlimited production with no support—you have the world market price—and it seems to me that is the figure, and you propose support at the world prices. Anyhow, we do not believe that you can run that price back up that way. When I was in school I was always taught that the law of supply and demand meant that when the supply increased that it would press the price down. If you increase the supply by removing all controls and limits on production—if your plan proposes that and you then hope that the price will go up I do not think that it will and believing that this will not happen, believing that the world price does not show any prospect of rapidly advancing, it is our belief that if we can get 45 percent of our wheat moving and at full parity we are a lot better off than not having any move at full parity. It presents the question of whether you want to take part of something or whether you want to demand all of nothing. We are trying to improve that which we can improve rather than to simply say, "Why do we not do these other things and go so much further." We hope that wheat will go up. You do not explain why it will go up. I do not see that it will do it at this time. That is the reason we are supporting full parity on even a part of our wheat. I support full parity on any part that I can get with the hope that we will approach perfection as we move along.

Mr. LYNN. Mr. Poage. We would like to think that all of us who are interested in agriculture are working for the same objective, and that we sincerely recommend different ways to get to that same objective.

As you know, we have several bills, identical bills before this committee carrying out the Farm Bureau proposal. We also—Mr. McLain and I—have been around here quite a few years and we can count. Let me plead with you for at least three things, as you begin to go into executive session on H.R. 7097.

We, of course, would like you to adopt our proposal, H.R. 4254 and other similar bills, because we sincerely believe that it will raise the farm income. Please do not make farmers compete with the Commodity Credit Corporation—give us a chance on the market—raise this release price of the Commodity Credit Corporation on wheat and feed grains, because this is one thing that most of the organizations have agreed upon, and surely you cannot ignore this fact as a committee.

And, second, with regard to this so-called wonder crop of soybeans, make sure you do not do anything in this legislation that will ruin the present soybean program and the soybean market and finally bring soybeans under supply management. If there is one example that we have that has worked ideally in the market place it is soybeans.

And the third point that I would hope that you would consider seriously as you write legislation, is to make sure that you do not dump a large number of bushels of wheat onto the feed grain market under

this two-price system where you have a blended price and you can afford to dump wheat at \$1.25 if you have full parity for 45 percent of your wheat and thus throw the livestock situation back into a turmoil. And I am sure that if you will keep those things in mind we will at least be moving in the right direction.

(The following statements and letter were also submitted to the subcommittees:)

STATEMENT OF C. LOWELL PURDY, MONTANA COMMISSIONER OF AGRICULTURE

Mr. Chairman, members of the committee, may I first express my sincere thanks for the opportunity to appear before your most important committee to present testimony on titles I and II of House Resolution 7097, the sections on wheat and feed grains.

I am C. Lowell Purdy, commissioner of agriculture for the State of Montana, a State where the production of high-quality wheat and beef is our greatest source of income. Gov. Tim Babcock has requested that I make this presentation as he and our agricultural and related interests are gravely concerned about the present state of our agricultural economy. My testimony is presented to reflect the position of Montana farmers on this important legislation. I have been a producer of high-quality wheat all my adult life and am at the present time actively engaged in that pursuit. Since I am a bona fide "dirt farmer" I feel I have some background from which to talk on this most important subject. Frankly, we in Montana are gravely concerned about the turn of events in agriculture and the statistics conclusively show that with greater production and more complex and unworkable programs, we are continually losing ground. This situation if not corrected will, sooner than we think, spell doom not only for agriculture, but all related industry as well.

I sincerely appreciate the complexities and almost bewildering position your committee finds itself in attempting to formulate a farm program that will satisfactorily provide for some sort of stabilization for the many varied agricultural producers in this country.

Notwithstanding the fact that only 7 or 8 percent of our population is actually engaged in production, it is necessary to remember that 40 percent of the gainfully employed people of this country owe their livelihood to agriculture. Further, agriculture is far and away the greatest market for the sale of much of our industrial production including such items as steel, rubber, and petroleum, to mention just a few. Admittedly, then agriculture is our most basic industry. Our highly industrial society is now demanding and receiving an abundant supply of wholesome nutritious food at less than 20 percent of their take-home pay. I do not have to tell you that agriculture simply is not sharing any of the so-called "prosperity boom" enjoyed by the rest of the economy. There has been far too much publicity depicting the farmer as overly subsidized and looking for a "handout," and I submit that under the present structure the farmer is actually subsidizing the rest of the economy. I further submit that basically the farmer is the most individualistic of all citizens. In fact, this is probably one of the greatest difficulties facing your committee and difficult as it is, this trait in the farmer is most commendable in my book and is in fact one of the foundation stones that has made this country the greatest in history. I might say, at this point, that I do not wish to criticize just for the sake of criticizing and as complex and difficult as the farm problem is with its many varied interests, it is necessary for the complex groups to in some measure compromise some of these positions and come up with a sane answer.

As indicated by the 1963 wheat referendum, the wheat farmers, to their everlasting credit, expressed their desire by ballot to find their way out of the woods and gradually produce for the marketplace which ultimately will have to be the permanent solution. This is not to say they advocated dispensing with all commodity programs as under the present national economic pattern these programs are most necessary during a transition period at least. What happened, of course, is that an even more highly controlled law was passed by the Congress and I might add over the opposition of over 70 percent of the Congressmen from wheat States. It is true that the ultimate result of the "no" vote on the referendum has been merely a further loss of income for wheat farmers and stricter controls than even the legislation originally provided. This was not the will of the majority of wheat farmers or wheat Congressmen, however. There were some

minor improvements made in the program this year, such as the substitution clause of feed grain and wheat acres, but in the main, the program has become so utterly confusing that 99 percent of the farmers and even the people administering the law, do not know which way to turn. I do not believe the present program could be termed "Operation Simplicity." I might say at this point that no matter what type of legislation is finally adopted, I would hope that it will provide a program of long enough duration to allow our farmers and ranchers to make some concrete plans to comply and plan their operations. The present program is so confusing and unstable that a farmer cannot plan from one day to the next.

I know that in the past several months, considerable testimony has been received from the wheat States depicting the present deplorable situation of agriculture and the adverse effect it is having on the entire economic structure, especially in our wheat-producing States. I am sure you gentlemen have access to this testimony and statistics, so I will not belabor you with them unnecessarily. The farmers of this country are not now asking for charity and never have, and I would like to state, farm criticism has been blown out of all proportion and agriculture has been used as a scapegoat for many of the unrealistic economic panaceas that have developed and if agriculture is going to be expected to continually subsidize and underwrite even our foreign policy and suffer the loss of income, gentlemen, history will repeat itself as always and we will establish a base for a serious national depression. There is no question but that we have a legislated economy and though I personally think this is not good, I feel that it is nonetheless true and that agriculture simply cannot survive in the best interest of the country as a whole in its present straits.

I call your attention to remarks by the Honorable Senator George Aiken of Vermont, entered in the Congressional Record of January 12, 1965, wherein he brought out more vividly than can I, the total unfairness of the charging of unrelated costs to the agricultural budget. In fact, I would like to see his remarks on that day be made required reading for everyone. If such a requirement could be made I am sure everyone, especially the people of the large urban areas of this great country, would better understand true economics and the relationship and interdependency between urban and rural citizens. Let's not kid ourselves, more of the agricultural subsidies have benefited consumers and stockholders than farmers, in fact over one-half of the approximately 8 billion dollar agricultural budget should rightly be charged to other than agriculture. Gentlemen, I feel its time some of these situations were put in their proper perspective.

Specifically as to the present Montana economy, I would like to point out the fact that with increased production and notwithstanding the fact that the USDA informs us that agricultural net income is up, that the cash receipts in Montana in 1964 from crops and livestock were down approximately \$26.6 million from 1963 and the figures include Government payments of \$47.3 million, an increase of 79 percent from 1963. Last year almost 11 percent of farm income in Montana came from Government payments. In a State whose economy is based largely on farm income, it is obvious this loss was felt all up and down the line. Quoting from the Montana Crop and Livestock Reporting Service, a statistical reporting service of USDA and the Montana Department of Agriculture, farm operators in Montana wound up with an average realized net income of \$3,255 per farm in 1964, down 24 percent from 1963. If this trend continues, we will certainly wind up with a "Montana Appalachia" and we are not for that. I might add this downtrend occurred in spite of the fact that we produced 1 million bushels more wheat in 1964 than in 1963. The parity ratio is now at 75 percent, the lowest since 1934 and yet we have the USDA placing ceilings on prices. How can you increase farm income that way? What would organized labor say if they were treated that way?

Particularly disturbing to me and to our people engaged in agriculture and agribusiness, is the present debt structure of our farmers. In 1961 U.S. farmers were indebted \$1.97 for every dollar of realized net income, but this year, after 4 years of current farm programs, the farmers will owe a whopping \$2.86 for every income dollar, which is shocking when you consider the farmer owed only about \$2.30 per income dollar in 1929, the eve of the great depression. What it boils down to is simply this, that the farmer has been forced to live off his depreciation schedule the past several years and now is to the point where he is mortgaging the very equity in his land. Gentlemen, this condition does not foretell trouble; it is trouble. The late President Kennedy said he did not consider a 3 percent-a-year rise in price inflationary and when this is com-

pounded over a 10-year period, it totals to an overall rise of over 30 percent in the past 10 years. Compare this trend with the decrease in farm income in that period and statistics show that less than 400,000 farmers earned a rate of 5 percent on their investment and that between 2 and 3 million farmers are actually earning less than the national hourly wage. If this situation continues as it is at an accelerated rate, what will happen when property taxes cannot be paid? What will happen to our rural communities? What I am on this point, may I quote from the official Montana Crop and Livestock Reporting Service of May 15, 1965, which states "the May 15, 1965, index of prices received for all crops was 68 percent of the 1947-49 average." As you well know, the 1947-49 base was one of the, I believe, three periods when agricultural income was in balance with other parts of the economy. Any point where such balance has been as badly disrupted has always precipitated serious trouble. I am most happy to find that many of our business organizations are beginning to show a real concern in the agricultural problems and I quote from a publication from the Montana Chamber of Commerce, when they state that "it is the feeling of many that the problems of agriculture have not been getting all the attention they should. Certainly they should have the highest level consideration." It's about time we place agriculture in its proper place, and I don't mean under the rug. With the change in the population trends, it is certainly most difficult to get the proper communication between urban and rural citizens and help them understand their interdependence. The businessman, I am sure, can see his loss in the purchase of capital assets by farmers at the present time. The present inequitable situation briefly is very adversely affecting the economy of the State of Montana and whenever 12 farmers disappear, 1 rural business also disappears.

I am sure we all agree the American consumer is receiving an abundance of food for approximately 19 percent of his disposable income. We spend more for housing and homefurnishings than we do for food, and food costs in many countries still take more than one-half of peoples earnings. This is a great tribute to the American farmer and a condition for which we should make no apologies. Great Britain, who enjoys the next most favorable position in this regard, spends approximately 29.5 percent of its disposable income for food and in Russia over 50 percent of disposable income is necessary to feed the household. In other words, our modern technical agriculture has progressed much faster in a relative short period of time than has other parts of the American economy. In fact, if the American farmer was no more efficient than before World War II, the American consumer would be paying approximately \$17 billion more for farm products each year.

Now comes the most serious problem in the dilemma. The question always is "What is the answer that will insure adequate agricultural income for the present when we all know the world is constantly going to need more food?" Most everyone agrees that our so-called surplus is temporary.

The present program as well as past programs have been tailored on a national basis, and I realize it is most difficult to effect a program that will be satisfactory to all of the many divergent producers of agricultural products. Even the case of wheat and feed grains, the subject of present deliberations, is most difficult. We have at least five major types of wheat in this country, some of which are in surplus on occasion and some of which are often in short supply. I was in the great State of Texas last year and noted by a press release that northern Texas agriculture had changed since World War II from a cotton to a wheat economy. Now this is a free country, and I hope it always remains such, but these programs, however well intended they may have been, have actually fostered a serious dislocation in wheat production and decreased quality and increased troublesome surpluses. We can and would like to raise a quality product in Montana and work toward achieving parity in the marketplace. We cannot, however, substitute cotton for wheat; and frankly, my cotton production on my Montana wheat farm has not been too good. We in Montana, producing a high-quality wheat, seldom in surplus, always much in demand by the milling trade, feel that we have been discriminated against in the present program as well as past programs.

I would like to emphasize that we have constantly seen an erosion of our acreage base, especially since 1954. The programs have tended to shift the production of wheat out of the historical wheat-producing areas, into other areas, who, fortunately for them, can raise alternate crops. Any program that is finally adopted, must, I feel, give greater emphasis to the quality factor; not only price-

wise, but acreagewise as well. I recently wrote the Secretary when I found the loan schedule for the 1965 crop was seriously disrupted by the dropping of the sedimentation test in establishing loan values on the 1965 wheat crop and the net effect will be to further penalize the producers of high-quality wheat and cut their income still further. If penalizing the product that is in demand and encouraging the production of surplus inferior grain is good business, I fail to see it. This sort of law administration gravely concerns our wheat farmers who have tried at all times to cooperate in helping to find a solution to the problem on a national basis. After all, we as farmers farm the land, not programs; and it would make little difference if we had 1,000 percent of parity and no land to farm.

Specifically, we have but two sources from which to obtain increased income for farmers; either from a direct payment from the Treasury or from the consumer. As I believe I have already pointed out, food costs are the most reasonable part of the consumers' budget and since the production costs of the farmer are increasing at an accelerated rate because of price increases on everything he buys, it is not illogical to assume that consumers should be willing to pay, and I believe are willing to pay, additional food costs if they are sure that the farmer will obtain this increased income. I personally feel that the present program is going 180° in the wrong direction and that a more sensible approach would be a gradual shifting to the marketplace for parity of income. However, under the present legislated economy, this is not possible and an abrupt discontinuation of commodity programs without at least transitory supports would have serious repercussions, not only to agriculture, but the entire economy as a whole. I would, at this time, like to make several general recommendations for the present legislation.

1. Though I know, as has been admitted by the Secretary, that the Commodity Credit selling price for grain at 105 percent of the loan value is the key to totally controlling agriculture and handling the surplus, it is most imperative that this ceiling be raised to at least 120 percent in order to let the free market work to at least some degree. Commodity Credit was originally invoked to facilitate the orderly marketing of grain and place a floor on prices and until recently was beneficial to the producer, grain merchant, and consumer as well. The present program is actually placing a ceiling on prices and is disturbing the market prices to the advantage of other groups and to the detriment of producers and the private grain trade. I sincerely hope this recommendation will be seriously considered.

2. I would recommend that a substantial portion of present grain stocks be set aside in a permanent food reserve to insure the security of this Nation in the light of present world tensions; and most importantly, the costs of such a program should not be charged to the agriculture budget. In cases of emergency, food is a most important necessity, and should a serious situation arise, agriculture would not just go on functioning as it has in times past. We are so highly mechanized that it would not be possible to just give the horses some more oats and keep on producing.

3. I feel there is considerable merit in a land retirement program where land would be taken out of production under stringent rules and the participant in the program would be paid and paid well for such land retirement, for the land will be needed in the future and I feel such costs are legitimate charges against the taxpayers of the country. I do, however, feel that a land retirement program coupled with acreage controls and unrealistic price support provisions would be hard to administer and control production. The people that were still operating should be given liberty to operate their land as they see fit and not be subjected to all of the "overseers" and the elimination of much of this type of supervision would be a considerable saving to the farmer and to the taxpayers. Admittedly, this in itself would be a formidable problem.

4. As I previously indicated, additional provisions must be made in recognition of quality in the establishment of not only price, but acreage allotments as well.

Finally, I feel that the proposed legislation, even more than past programs, delegates too much power to the hands of the Secretary and this I feel is wrong whomever he may be. I think the requirements must be specifically spelled out in the law and not left to the whims of one man, a political appointee by necessity, besides.

The present legislation apparently provides for the raising of the parity on domestic certificates to 100 percent with the export certificate either eliminated

or left to the discretion of the Secretary. No one will quarrel with the necessity of parity, but the controversy arises as to how it should be established. Admittedly we must be more aggressive in world trade to dispose of our excess wheat production. If the domestic certificates are raised to 100 percent and no provision to supplement the income lost from the expiration of export certificates, the farmers' income will not be changed to any great degree and we will be pretty much status quo. One piece of legislation introduced by another distinguished member of your committee, Hon. Milton R. Young, of North Dakota, would, I believe, provide for this additional income through increased diversion payments. I believe under the present bill this legislation has considerable merit. May I say that the ultimate aim must be full parity in the marketplace, but that under the present situation it is most imperative that farm income be raised. In order to bring agriculture at least somewhere close to income balance with other segments of the economy net farm income must be raised a minimum of \$5 billion.

I appreciate the courtesy extended by members of the committee in allowing me to testify on this most important legislation. Thank you.

STATEMENT OF CHARLES B. SHUMAN, PRESIDENT, AMERICAN FARM
BUREAU FEDERATION

Mr. CHAIRMAN. In a statement I made in Chicago on April 5, I said that the administration's proposals for farm legislation are a hoax designed to trap both farmers and consumers.

(The press release of Mr. Shuman follows:)

"President Johnson's farm proposals would make farmers more dependent than ever on Government subsidies for their livelihood, and at the same time raise the price of food to consumers, especially those with low incomes.

"The President's farm bill is a Freeman-Brannan plan with a bread tax twist. It would be a market manipulator's dream. The administration's bill would continue Secretary Freeman's authority to wreck markets by dumping Government stocks of grain. The Secretary would be given even wider discretion than he now has to—

"Set price supports;

"Set the level of the 'bread tax' and the 'rice tax';

"Determine the amounts of rice, wool, soybeans, and other commodities that farmers would be allowed to produce; and

"Manipulate export prices of farm commodities.

"The wheat certificate plan proposed by President Johnson apparently envisions U.S. consumers paying twice as much for wheat as foreign consumers. Under the wheat certificate plan proposed by the administration, bread prices would again be increased because processors would have to pay a \$1.25 processing tax for every bushel of wheat that goes into domestic food use.

"There is a need for action to help farmers get better prices in the marketplace, but it is quite another thing to ask consumers to pay higher food prices to perpetuate a program that is designed to keep producers dependent on Government handouts.

"The 'certificate' programs for wheat and rice would have a terribly destructive effect on the U.S. position in current trade negotiations with the European Economic Community.

"The President's proposal for a cropland adjustment program is unrealistic. A cropland retirement program superimposed on the current feed grain, wheat, and cotton programs would of course be doomed to failure. Fundamental changes must be made in the current programs for these commodities if cropland retirement is to be effective.

"The nation's largest general farm organization is supporting farm program bills introduced earlier this year by over 40 Senators and Representatives of both parties.

"We are confident that our proposals for truly voluntary programs will be well received by farmers, will help to raise farm income, and will be far less costly, much less complicated to farmers, simpler to administer, and much more effective than present programs. The Farm Bureau, with its 1,647,000 member families in every section of the country, will oppose vigorously the administration's farm proposals because they are inconsistent with the principles we support."

WINNABOW, N. C., *March 30, 1965.*

Hon. ALTON A. LENNON,
Washington, D.C.

DEAR SIR: A motion was made on March 15, 1965, at our regular Grange meeting to inform our Congressman, Senators, and State grange master that the membership of 90 members of Town Creek Township Grange 1206, has gone on record as being opposed to the growing of soybeans or any other basic crops on land retired under the feed grain program.

Sincerely yours,

ELIZABETH R. MERCER.

Mr. POAGE. Thank you very much, Mr. Lynn and thank you, Mr. McLain.

The committee will stand in recess until Monday, the 26th of April, when we will meet here at that time.

(Whereupon, the subcommittee adjourned to reconvene at 10 a.m., Monday, April 26, 1965.)

WHEAT AND FEED GRAINS

WEDNESDAY, APRIL 28, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FEED GRAINS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met at 10:10 a.m., pursuant to notice, in room 1310, Longworth House Office Building, Hon. W. R. Poage (chairman of the subcommittee) presiding.

Present: Representatives Poage, Greigg, and Callan.

Also present: Representatives Gathings, Jones of Missouri, and Dague.

Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; and Robert C. Bruce, assistant counsel.

Mr. POAGE (presiding). The subcommittee will please come to order.

Our first witness this morning seems to be Mr. Alfred Schutte of the Webster County Farmers Association of Guide Rock, Nebr. We are very glad to have you with us and we will be glad to hear from you now.

You may proceed.

STATEMENT OF ALFRED SCHUTTE, REPRESENTING THE WEBSTER COUNTY FARMERS, GUIDE ROCK, NEBR.

Mr. SCHUTTE. Mr. Chairman and members of the subcommittee, my name is Alfred Schutte. I represent the Webster County Farmers.

The Webster County Farmers was organized to perpetuate the work of the former Webster County Farm Bureau which was expelled from the Nebraska Farm Bureau, partially because we wanted farmers to vote directly on Farm Bureau policy, and partially because I testified here in support of the wheat bill of 1964 on behalf of the Webster County Farmers and other Farm Bureau members who were not represented by the American Farm Bureau.

I need not tell you that the right to be represented is a privilege, a responsibility, and a right guaranteed by the Constitution of the United States. Nevertheless, the Webster County Farm Bureau was expelled from the American Farm Bureau for exercising this right.

Mr. POAGE. You said you were expelled for what?

Mr. SCHUTTE. It is stated there.

Mr. POAGE. I did not catch it. What did you say that you were expelled from the Farm Bureau for?

Mr. SCHUTTE. I need not tell you that the right to be represented is a privilege and a responsibility and a right guaranteed by the

Constitution of the United States. Nevertheless the Webster County Farm Bureau was expelled from the American Farm Bureau for exercising this right.

Mr. POAGE. For speaking out?

Mr. SCHUTTE. That is right.

Mr. POAGE. Thank you. Go ahead.

Mr. SCHUTTE. The Webster County Farmers' members have indicated through a recent poll what they want and expect from farm legislation. I wish to explain to you what our farmers want as indicated by answers to this poll. In order to vote, a member must earn over one-half of his income from active participation in farming. Therefore, these are the direct voices of the farmers, without brainwashing, and without dilution by some industrially orientated organization. I cannot overstress the seriousness of an organization controlling its members, even if that control is exercised by furnishing insurance and other services.

Our farmers have indicated that 100 percent favor the present wheat and feed grain law with improvement. A vast majority of our farmers indicated that they favor an increase in the basic support prices of wheat and feed grain along with an increase in the certificate price for wheat.

Farmers are well aware that they cannot continue to farm for less and less and still survive. In answer to another of our questions, farmers voted unanimously against Farm Bureau's land retirement program. One hundred percent also said they were not willing to take less for their produce in order to have less Government control.

If there is to be a land retirement program, farmers want it coupled with the present wheat and feed grain legislation. They want voluntary diversion and incentive payments. We strongly believe that the soil bank programs of the 1950's had an adverse effect upon our county and other rural counties. An adverse effect, I might add, from which rural America may never fully recover.

Our members (76 percent of them) want farm legislation written on a 5-year basis. This will let us plan our farming operations with a little more foresight. If farmers know what they can depend upon for 5 years this will lend stability to the program and ultimately result in better participation.

The economic plight of the farmers of the country is graphically illustrated in the answer to another of our questions. Farmers were asked, "If you were to receive 100 percent of parity for your produce, what would you do with your extra income?" By far the largest percentage of farmers replied that they would pay off their debts. The second greatest number of farmers indicated that they would buy new machinery. Next they would invest in new buildings, and then in savings and insurance. You may be interested to know that farmers would invest in land only as a last choice. This indicates to me that farmers are not willing to gamble on long-term investments in agriculture under present circumstances. They know they are slowly going broke. We wonder if the country is aware that as the farmer goes, so goes the Nation.

Farmers don't expect handouts, or excessive profits, but we do expect to live on a par with other segments of our economy. The farmer can't continue to subsidize the rest of the Nation while he continues

to go deeper in debt. The nation that depends upon this type of fiscal policy must ultimately expect the disaster of an economic depression in all segments of our economy like that of the 1930's. This does not have to happen if farmers are able to compete on an economic level with other professions.

We have some suggestions that we would like to offer to remedy this nonprofit existence of today's farmers.

First, we suggest higher support prices, larger certificate payments, and voluntary diversion of land, with incentive payments high enough to encourage participation.

Second, when surpluses develop, we suggest that the surpluses be used to increase the food-for-peace program, increase the school lunch program and stored in on the farm storage in this order.

Third, we suggest that farm legislation be written for 5 years instead of the present 2. This will give the program a chance to work.

Fourth, we suggest that income tax laws be written to make farm and nonfarm income be reported separately to prevent nonfarmers from farming at a loss for income tax purposes.

Fifth, we suggest that Government payments be received only by those persons who receive 50 percent of their income from active participation in farming. A part of our farm problem is the result of the invasion of farming by those who make their living from some other profession. This has resulted in land prices rising sharply above the price that farmers can afford to pay.

Sixth, that the strategic reserve of grain be stored on the farm and in country elevators. We wonder how grain stored in terminal elevators is going to get back to where it is needed in time of national emergency.

Seventh, we recommend that ACP payments for soil conservation be increased. Under no circumstances should they be reduced. ACP and the soil and water conservation programs are one of the most worthwhile projects undertaken by our Government. The future generations of our Nation benefit or lose in accordance with your actions.

Eighth, we recommend a reevaluation of farm allotment history. Some farms are saddled with obsolete and unrealistic allotments.

Ninth, we recommend that legislation be aimed at keeping young boys on the farm. We should not forget how important a farmer becomes during a crisis. It takes years of experience to train a farmer. If young boys are forced from the farm, to whom do you turn for farmers during a crisis?

We oppose the following:

First, the Farm Bureau's program for putting the skids under the farmer. The extremists of our country could find no better way to overthrow the Government than that proposed in the Farm Bureau land retirement-50 percent of parity program. We can only look with suspicion at anyone who would advocate 50 percent of parity, or would force 21½ million farmers into the ranks of the unemployed, where they would be a burden to our society. A strong economy is our strongest defense against depression, war, and communism.

Second, the storage of the strategic reserve in terminal elevators, unless this storage is used as a balance between on-the-farm, country and terminal storage.

Third, the retirement of whole farms into a soil bank. The Benson-type soil bank is just another way to eliminate more farmers and channel their land into the hands of a few wealthy men.

Fourth, the invasion of farming by nonfarmers, who are using the farming enterprise as a tax dodge to divert their excessive profits from other professions.

Fifth, 100 percent of our members oppose a decrease in ACP payments.

In closing, gentlemen, I would ask that you consider these ideas which have come to you directly from those people who must earn enough to eat, buy clothing, pay taxes, et cetera, from farming.

We believe in the right of farmers to exercise their freedom of speech to present their views without alteration by some industrially oriented hierarchy, and to have farmers well-being considered when farm legislation is being proposed. Our belief that farmers have these rights is so strong that we were willing to be expelled from this country's so-called "largest farm organization" in order to preserve the farmer's right to speak for himself.

Thank you for your time.

Mr. POAGE. We thank you very much, Mr. Schutte. We are very glad to have this very fine statement. I would like to ask you a question.

You have made the suggestion that we have higher support prices with larger certificate payments and higher incentive payments to increase participation. I want to see the income of the farmer increased but it does not seem to me that we can hardly expect to move in all of these directions at the same time. I assume—I know what your feeling is—that you want an increase, and you would take it anywhere that you can get it.

Mr. SCHUTTE. I guess you are probably right. I think that we have to be careful with one thing. But in the farming area it is the farmer, the young farmer who is absolutely not making a living on his farm. He does not own land, much less have a chance to buy any. This is very dangerous to the country. We have lost so many farmers already and we think it is foolish propaganda that is going out which says that we have to get rid of more farmers. The people swallow that. I think that it is time that we called a halt to it. Suppose that we get into a war, we will need an awful lot of food and we will have an awful time to get our food.

Mr. POAGE. I certainly agree with you, Mr. Schutte, although my point is that we have got to make decisions here——

Mr. SCHUTTE. Yes.

Mr. POAGE (continuing). On how you achieve these things? Well, I think that we are all in agreement that one way that you can achieve higher prices which result in higher income to the farmer is by balancing the supply with the demand. In that way we make the law of supply and demand work in favor of the farmer. If we supply more than the market will take, the price is going to break. Therefore, we should try to limit the production to something like what we need.

How then do you achieve participation in a voluntary program? As I see it, you only achieve it by making it more profitable for a man to reduce his production and help balance the supply with the

demand, and now if you increase the support price and by the support price I take it that you mean the loan price?

Mr. SCHUTTE. Yes.

Mr. POAGE. If you increase the loan price, do you not increase at the same time the income of the nonparticipator and encourage him to remain a nonparticipator because he is always going to sell his crop on the market just under the loan price, is he not?

Mr. SCHUTTE. Yes. I think, personally, you are right. And, of course, this was set up by the county as a question.

Now, we do think that the certificate should be raised. That is the important thing.

Mr. POAGE. I do, too, but do not get the wrong impression that I am trying to find fault with your desire to increase the farmer's income. However, we are talking about how to do it. We have to meet those details. If we do it wrong, then we have hurt rather than helped the farmer. If we increase the loan price in wheat, let us say, 50 cents, and do nothing to the certificate, would it not result in almost a complete breakdown of the program?

Mr. SCHUTTE. I think you are right. I think that is true. I think that the certificate is the answer more than the other.

One other thing we forget is the poor farmer who is farming this place, farming his own farm. He is the fellow that is hurting. Now, things are all going to the landlord. That is a curious situation in our part of the country.

There was a section of land sold awhile back. A number of farmers were going to buy it. Outside interests came in and bought it, which, of course, we have no objection on their part in doing this, but this is the thing that is ruining the country and it has been going on for a long time. Land becomes so high in price that the farmer actually farming the farm cannot make it. And those farmers are necessary to the country.

I think the young farmer must have more income who is actually farming the farm. And this situation results in just one thing, that when the payments get so high, he is cut off. That is about what it amounts to. The young farmer must have more than he is getting, because he just is not staying and he cannot stay there.

Mr. POAGE. Thank you. Are there any further questions?

Mr. GREIGG. I want to commend you for your statement that you have made; and specifically on your point 9 that it takes a good many years to train a farmer.

For weeks we have heard testimony before this committee from farm organizations and from other organizations related to the total picture of agriculture. This is the first time we have heard a statement that I think is a very positive one in the direction to save the farmer.

And when recommendations are made about how many farmers must leave the farm, I think that we are talking about a single element of skill relating to farmers. So I want to commend you and your organization for pinpointing that one particular topic which I think should be considered by every member of the Committee on Agriculture, and considered every carefully.

Mr. POAGE. Are there any further questions?

If there are no further questions, we are very much obliged to you, Mr. Schutte. We are glad to have had you with us.

Mr. SCHUTTE. Thank you.

Mr. POAGE. Our next witness is Mr. George M. Strayer, executive vice president and secretary-treasurer of the American Soybean Association. Mr. Strayer has been with us before, and we are very glad to have you here again. I notice that you are accompanied by several of your fellow members.

STATEMENT OF GEORGE M. STRAYER, EXECUTIVE VICE PRESIDENT AND SECRETARY-TREASURER; ACCOMPANIED BY HAYS SULLIVAN, BURDETTE, ARK.; CHARLES V. SIMPSON, WATERVILLE, MINN.; AND JOHN SAWYER, LONDON, OHIO, AMERICAN SOYBEAN ASSOCIATION

Mr. STRAYER. Mr. Chairman and members of the subcommittee, my name is George M. Strayer, and I am executive vice president and secretary-treasurer of the American Soybean Association, with headquarters at Hudson, Iowa. The American Soybean Association is the nationwide organization of soybean growers, and it is in their behalf that I appear here today.

I am speaking in behalf of the American Soybean Association today, and the American Soybean Association is the association of producers of soybeans, the farmers who grow the soybeans.

In making this presentation I would first like to introduce to you Mr. Hays Sullivan of Burdette, Ark., on my left, the president of the American Soybean Association. Also, on his left, is Mr. Charles V. Simpson of Waterville, Minn. immediate past president of the association, and a member of our board of directors, as well as chairman of our market development committee. And to my right is Mr. John Sawyer of London, Ohio, a past president and member of the board of directors of this association. Unavoidably detained at Lafayette, Ind., today is Mr. Laurel Meade, the fifth member of our executive committee.

Gentlemen, we are here today on what we consider an extremely important assignment. It is of such importance that for the first time in the history of our association, which has been in existence since 1920, we felt it advisable to bring our entire executive committee to Washington to confer with you. We regret Mr. Meade cannot be with us today.

I am sorry that the fifth member of our committee, Mr. Meade of Lafayette, Ind., is not here.

In his farm message to Congress in January President Johnson requested the allowance of planting of soybeans on acreage diverted from feed grains. In the recent submission of the proposed farm program, which I believe is known as H.R. 7097, provision was made for adding soybeans to the list of commodities which may be planted on diverted acreage, both from feed grains and from wheat. Up to this time, guar, sesame, safflower, sunflower, castor beans, mustard seed, and flax have been in this category. Soybeans would be added to this list by the proposed legislation. In addition, acreage diverted to soybeans could be considered devoted to feed grains for purposes of computing price support payments-in-kind.

The American Soybean Association is unalterably opposed to the inclusion of soybeans in the list of commodities which can be grown on diverted acreage. Our official position is "The American Soybean Association is opposed to the allowance of planting of soybeans on any acreage removed from the production of any other crops on which any type of diversion or compensatory payment is made in any amount." This position was established several years ago, and has been reaffirmed annually at our meetings. I would like to tell you why we take this position.

First, let me point out that the soybean crop is the No. 1 dollar earner among all agricultural commodities in our world markets. Soybeans, soybean oil, and soybean meal bring more dollar exchange back to the United States than any other commodity. Soybeans are No. 3 in value among all U.S. agricultural crops, exceeded only by corn and cotton. The March 1 planting intentions report indicates a 1965 soybean crop of 829 million bushels—by far the largest in history and 128 million bushels above the 1964 crop.

Soybeans have never been on the surplus commodity list, even though the crop has grown from 60 million bushels per year prior to World War II to 200 million bushels at the end of the war and to the predicted 829 million bushels in 1965. While there have been CCC stocks of soybeans under the price support program at times it is my understanding that CCC actually shows a slight profit on the total of soybean price support operations. There are no subsidies and no export promotion mechanisms on soybeans. They sell for dollars in the markets of the world through the private trades in increasing quantities without governmental intervention.

The soybean crop is one to which the farmer has turned as he has decreased his acreage of corn, of cotton, of rice, of wheat, and of other crops which are or have been in surplus. Through the period of years since the end of World War II the soybean crop has absorbed nearly 25 million acres from these other crops—at no cost to Government—and has not yet been in surplus troubles. What would our problems be on these other crops had we not turned to soybeans?

The farmer likes the soybean crop because it can be produced and harvested with the same seedbed preparation equipment, the same planting and cultivation equipment, and the same harvesting equipment as he uses on other crops. Through a period of years he has been able to market his soybean crop on any day of the year, without governmental restrictions. It has been a crop which puts cash in his pocket to pay the machinery, fuel, and other production bills. Soybean production has been profitable to him.

When the weather was unfavorable, when floods or insects or diseases have ravaged his other crops, the farmer has been able to turn to soybeans to assure some income. He likes to grow the crop, he likes the freedom which has been his in the making of decisions pertaining to it, and he wants this situation to continue.

Prior to World War II the United States imported two-fifths of all the fats and oils we used in the United States. We were the world's largest net importer. Because of the soybean crop we are today the world's largest net exporter of fats and oils and oil-bearing materials. During the current crop year we will export about 200 million bushels of soybeans as beans. We will export the oil from more than another

100 million bushels, and we will export nearly 2 million tons of soybean meal. All exports of beans and meal are strictly for dollars, and more than two-thirds of the oil exports will be for dollars. In other words, over three-sevenths of our entire soybean crop is going into the markets of the world today—and is returning dollar exchange to us at this time when we so badly need it.

Soybeans and soybean products are going into world markets in quantity today for several reasons. First of all, they contain protein—the highest quality vegetable protein available for either human or animal consumption among the vegetable sources.

Secondly, they contain edible oil. These are the two commodities most scarce in the world food economy. Carbohydrates, as such, are relatively plentiful almost anyplace in the world, in the form of wheat, rice, corn, milo, millet, or some other cereal. Protein and oil are the commodities most needed and in greatest demand. Therefore, the world is interested in our soybean supplies.

Soybeans are selling in the world markets because we have kept our prices competitive with those of the other oilseed materials grown in other countries. This includes peanuts, copra, sunflower seed, rapeseed, and similar crops.

On several occasions the American Soybean Association officially requested that the Secretary of Agriculture not raise the support price on soybeans, when such action was contemplated. On other occasions we even requested the lowering of supports, in order that we might be competitive in the markets of the world. We have deliberately tried to steer a course which would make the soybean crop profitable to the farmer, would give him a place to go with acreage removed from other crops, and which at the time would keep us competitive in the world markets. We have tried to increase demand as we increased production, assuring the grower of a favorable price in the marketplace, not relying on governmental supports to protect our market.

This policy has paid dividends. The 1965 production forecast of 829 million bushels, as contrasted with 200 million bushel at the end of the war is evidence of this. At the same time our industry has done everything in its power, both privately and in cooperation with Foreign Agricultural Service, to explore, build, and develop markets.

We had no export markets at the end of the war—today nearly half our production is sold overseas. We have built markets at the rate of approximately 40 million bushels per year, and we have increased production at about that same rate, without any type of artificial stimulus. We can continue to build markets at this or even an expanding rate if an overly benevolent government does not get us into trouble.

Why has the administration asked for soybeans to be placed on the list of commodities which might be planted on diverted acres? Why do we need such provisions? We can see no logical basis for it. The justification offered by the proponents is that we need more soybean acreage. But do we?

In 1964 soybean acreage planted was increased by 2.2 million acres. Had dry weather not interfered, and had we maintained the same upward trends which had prevailed during the past 5 years in yields we would have produced a soybean crop of 795 million bushels. The anticipated acreage increase in 1966 is approximately 3 million acres, and with normal weather this acreage should produce 850 million

bushels of soybeans. May I point out that up to this time we have never yet consumed or sold 700 million bushels in any one year, and that if normal weather had prevailed in 1964 we would now be faced with a sizable carryover of soybeans. Further, if normal weather prevails in 1965 we almost certainly will have all the soybeans we can consume and sell, plus a carryover in the area of 100 million bushels.

For nearly 20 years the soybean producers have expanded their acreage in proportion to market expansion. They have kept pace with demand, but have done it on a basis which has made the soybean crop profitable to the grower. Soybeans have not been an expense to the U.S. Government in price-support operations, but they have been the crop which has saved many farmers from financial ruin.

Allowing planting of soybeans on diverted acres is not necessary, but is in fact highly undesirable. In order that we might measure the feelings of our members—the men who produce the soybeans—we made a rather extensive survey of soybean producers from the Canadian border to the gulf, and from the Atlantic to the Rockies. The whole soybean production area. They gave us their views in no uncertain terms. They are violently opposed to allowing planting of soybeans on diverted acres.

These men object first on a moral basis. They believe that if acreage is removed from production it should be actually removed from production, and that if a farmer accepts payment for not growing a crop, no matter how large or small that payment, he should remove that land from production. The ethical standards of America's farmers today are such that they severely criticize this proposal for double pay, and would vote against it almost to a man if given an opportunity.

These same men also object on an economic basis. Soybeans are not in trouble, have not been in trouble, they are not in surplus, and farmers like them that way. They know that if permission is given to the Secretary of Agriculture to determine whether or not soybeans should be planted on diverted acres certain forces in this country would push for such plantings. If soybean production on diverted acres were allowed soybeans would become a surplus commodity, the support price would become the selling and the ceiling price, and the industry which has kept itself from trouble so far would join the list of surplus commodities on which CCC becomes the major buyer. When that happens soybean acreage will drop, support prices will have to be raised to increase farm income, and a vicious circle will have been started just as it has on several other commodities.

The news releases say the authority will not be used now, that it might never be used, if given to the Secretary. Why, if they did not plan to use this authority, would they be asking for it? There is only one way to assure it is not used—that is for you gentlemen in this committee to remove the provision which would grant such authority before the bill leaves your hands.

What would be gained from this proposal which has been made? We can see nothing to be gained, and everything to be lost. Soybean acreage will increase without governmental stimulation just as rapidly as we can build markets. Price will determine acreage, just as it is doing in 1965 and has done for these 25 years.

Even if the Secretary of Agriculture did not use the authority granted him under this proposal the mere knowledge that this pro-

vision was in the law would be cause for uncertainty. There would be constant pressure to use the authority from those who would profit from storage and handling of surplus stocks, as well as from the processing of cheap soybeans. The specter of huge acreages of soybeans planted on diverted acres would be constantly hanging over the market, both at home and abroad.

We will begin 1966, the year when the program you are considering will become effective with a soybean carryover—given normal weather—of about 100 million bushels. Why would anyone want to increase this amount? The only objective could be cheap soybeans, surpluses, storage revenue, and governmental supply management.

These are the very things the American Soybean Association has fought to avoid. America's farmers need one crop which is not managed; one crop which they can produce as needed, one crop which can be marketed when and as the producer sees fit. Our industry has stayed out of trouble through this period of years of rapid growth, and we can see no justification for ruining the future of an otherwise progressive industry by needless and uncalled-for Government intervention at this point.

May I remind you, gentlemen, that the producers of soybeans are not asking for this change in the law, even though some of them might benefit financially for a short period. The producers of the crop are firmly opposed to this change—they do not want soybeans planted on diverted acres—and they ask that you give them an opportunity to continue their own management of the crop as they have done for nearly 20 years.

Adding soybeans to the list of commodities which may be planted on acreage diverted from other crops—feed grains and wheat—would be morally wrong and financially unsound for both the Nation and the soybean producer. We beg of you, gentlemen, that in your deliberations on the farm program which will go into effect in 1966, you do not place soybeans in jeopardy by adding them to the list of crops which can be grown on diverted acres. There is nothing to be gained, and much to be lost by making this change proposed by the administration. If there is no intent to use the authority, why is it being requested? Even though the authority is not used it will be damaging, and there will always be the probability of extreme pressures being exerted on the Secretary of Agriculture to use it. If the authority is not needed, if the soybean producers do not want it, if both the Nation and the producer will benefit by continuance of the current arrangement, why make a change?

This is a serious matter to us, and to every soybean producer in the United States, gentlemen. This administration proposal is of crisis proportions to our industry. It is not to be taken lightly. It should be removed from the bill before it leaves your committee, and we hope you gentlemen will do so.

We want a strong, virile, active continuing soybean industry in the United States. We want to see it continue to grow and continue to bring large dollar returns in world trade. If left to our own resources we expect to be producing profitably and selling into the domestic and world markets more than a billion bushels of soybeans per year by 1970. We fear for the future if soybeans are made a political tool. Certainly placing them on the permissive list makes them politically

vulnerable and always subject to political pressures. Let's leave a healthy crop in a healthy condition. That means no provision for planting soybeans on diverted acres in the 1966 and 1967 farm program.

Thank you.

Mr. POAGE. Thank you very much, Mr. Strayer. Are there any questions?

Mr. Callan.

Mr. CALLAN. Your association favors the feed grain and wheat programs—you think we should continue those programs?

Mr. STRAYER. Yes. We have no objection to this whatever. Our objection is to the inclusion of this one proposal in title II and also in the wheat section which would allow the planting of soybeans on acres taken out of these other crops.

Mr. CALLAN. Would you say it is a fact that we have had a feed grain and wheat program, and probably that is one reason that the soybean market has not been in trouble yet?

Mr. STRAYER. Certainly it has been a contributing factor; yes.

Mr. CALLAN. And you still favor the support price?

Mr. STRAYER. Yes. We favor support prices at a level which we would consider to be disaster insurance, but at a level which will enable us to be competitive in world markets.

Mr. CALLAN. You want the support price on corn and wheat?

Mr. STRAYER. Yes.

Mr. CALLAN. It is said that you may have lost some of the soybean market. Would you want to comment on that?

Mr. STRAYER. Yes. I will be glad to, because we operate an office in Tokyo. We watch this situation very closely. We have lost some market in Japan to Red China, but the soybeans which are being marketed in Japan by Red China are soybeans which would otherwise have gone into the European market. We have not lost any market in total. We have merely seen a change in where the Red Chinese beans are being marketed.

Mr. CALLAN. There is also some talk about urea replacement of soybeans in protein for animal feed. Can you comment on that?

Mr. STRAYER. Yes, this is an important factor to us. Urea is replacing a certain amount of soybean meal in livestock feeds for ruminants, for cattle and sheep. There are no accurate figures on just the extent of the replacement, but there are guesses which are some place in the area of 1 million tons of market for soybean meal which has been lost to urea.

Mr. CALLAN. You do not think that you might have lost more of that market to urea with the high soybean price?

Mr. STRAYER. Most of this market was lost to urea at a time when we had an extremely high soybean meal price. This was the 1963 crop year, a year ago. This is a matter of economics and we do not feel that we will have very much more replacement of the market, especially if we keep the soybean prices in an area which will allow soybean meal prices to be competitive. This is a matter purely of economics.

Certainly we will never regain all of the market which has been lost, but we think that the big change has already been made.

Mr. CALLAN. Thank you.

Mr. POAGE. Mr. Greigg.

Mr. GREIGG. Mr. Strayer, is it not true that the product urea is cheaper as a substitute?

Mr. STRAYER. Yes. A ton of urea will replace—well, let me put it another way: Urea is a synthetic product that when converted to protein from a nitrogen base, a pound of urea replaces much more than a pound of soybean meal. Once a plant has been built for the production of urea, certainly it is going to continue to operate, and the product can be made more cheaply than soybean meal.

I would like to point out, also, that urea can be used, at least today, only for ruminants, not for poultry and not for swine. And these are the two largest markets for soybean meal.

Mr. GREIGG. When the Secretary of Agriculture was here and testified—and when we talked about the subject of the wide discretionary power in allowing the Secretary to make a decision as to whether it would be necessary for additional soybean production, he talked about his concern that we maintain the fine levels that we have enjoyed in the soybean market, and he expressed a very sincere concern that if we find ourselves involved in a lot of synthetics and a lot of substitutes, will we not endanger the price as we know the price today.

Mr. STRAYER. If you are talking in terms of \$3 soybeans, this is correct, but if we have this 100 million bushel carryover of soybeans at the end of the 1965 crop year, we will not have \$3 soybeans, we will be talking in terms of \$2.25 and \$2.30 soybeans, and at that level we will not have this replacement by synthetics. At the price we have today, yes, this is a factor.

Mr. GREIGG. Mr. Strayer, in your judgment do you feel that we have enough supply even now?

Mr. STRAYER. I do not know of anyone who has wanted to buy soybeans in the current crop year who has not been able to buy them. Certainly, the price is higher than some people would like to pay for soybeans. The farmer, however, has benefited by this.

This price situation we are now in was brought about by a weather condition which shrunk the crop by approximately 75 million bushels over what we would normally have had in 1964. Had this weather condition not prevailed in 1964 we would have had a vastly different price situation today on soybeans.

Mr. GREIGG. I just have one additional question. You stated that the total acreage in 1964 was a certain amount. What increase do you see for 1965 and for 1966? I did not see that.

Mr. STRAYER. March 1 planting intention report indicates approximately 34 million acres for 1965.

Mr. GREIGG. This will be an increase?

Mr. STRAYER. An increase of approximately 3 million acres.

Mr. GREIGG. Over 1964?

Mr. STRAYER. Right. Now, we have winter wheat kill, we have seeding kill, we have thousands and thousands of acres of flooded land. We have an extremely late season in the northwest part of Iowa. You are not getting oats seeded, for instance, and all of these things are contributing to the acreage which could not be foreseen as of March 1, and if I were to make a personal guess it would be that we are going to see closer to 36 million acres of soybeans in 1965, rather than 34 million acres.

Mr. GREIGG. Then, in your judgment, do you feel that there will be a normal increase in the production of soybeans every year without any concern for granting the discretionary power to the Secretary of Agriculture to guarantee that we have enough supply to meet the demand?

Mr. STRAYER. I know of no time in the last 2 years—and they are the only 2 years in which we have had a relatively high price situation—I know of no time when a buyer who wanted to buy soybeans could not go into the market and buy them. And I see, actually, in 1 year from now if we are given normal weather in 1965, that we will be talking in terms of surpluses of soybeans, not in terms of having shortages of soybeans, because if we get up in the area of 850 to 900 million bushels of soybeans and we have never sold 700 million bushels in any year yet, this puts an entirely different complexion on the future.

So my answer to your question would have to be, I think, that the farmers are going to take care of this thing themselves.

Mr. GREIGG. One further question. In the surveys that you conducted, in asking farmers how they felt about planting soybeans on diverted acres, were they as strongly opposed to the planting of soybeans on other acres such as their corn base acres?

Mr. STRAYER. No.

Mr. GREIGG. As they were on diverted acres?

Mr. STRAYER. No. It was only in terms of corn base acres which might be planted to soybeans and, for instance, the 20 cents per bushel paid on that.

Mr. GREIGG. Yes.

Mr. STRAYER. Our objection is not to that. Our objection is to the allowing of the planting on these diverted acres for which a man is being paid, to remove that acreage from production.

Mr. GREIGG. I just want to get an official statement from your organization as to the discretionary power to be given the Secretary of Agriculture in allowing soybean production on other acres not diverted acres. What is your position on that?

Mr. STRAYER. We have no objection to that. We are not objecting in this testimony. We have no objection to that. We think that this would not bring enough of a shift in acreage to create great problems. The great problem might be created in the diversion, the usage of diverted acres.

Mr. GREIGG. Thank you.

Mr. POAGE. Mr. Gathings.

Mr. GATHINGS. It is estimated that in 1965 there will be some 36 million acres diverted from feed grain crops, corn and barley, and grain sorghum. If just a small proportion of those 36 million acres were planted to soybeans what kind of a situation would we have in this country?

Mr. STRAYER. We would have a situation of surpluses of soybeans, and the Commodity Credit Corporation would become the major buyer and become the governing factor in the market.

Mr. GATHINGS. It would drag the price down to about \$2 to \$2.25 a bushel instead of getting \$2.60 per bushel or more.

Mr. STRAYER. That is right.

Mr. GATHINGS. Would you give us a rundown, briefly, of the increased acreage in soybeans over the past 5 years, and the production therefrom?

Mr. STRAYER. I can give you the exact figures in just a minute.

The acres harvested for beans in 1960, 23,600,000; 1961, 27 million acres; 1962, 27.6 million acres; 1963, 28.5 million acres; 1964, 30.7 million acres.

Mr. GATHINGS. You testified a moment ago that you would estimate that some 3 million additional acres would be planted in soybeans in 1965?

Mr. STRAYER. Yes; the March 1 planting intention report of the U.S. Department of Agriculture indicates a 3-million-acre increase, in fact, they indicate a planted acreage at approximately 34 million acres for 1965.

Mr. GATHINGS. You referred to some of the work being done by the American Soybean Association over the world in developing export markets. Will you give the subcommittee the benefit of your thinking as well as just what you are doing to create a desire on the part of people over the world to buy soybeans from America?

Mr. STRAYER. If I may take 2 or 3 minutes to summarize it as quickly as possible:

In 1955 I went to Japan as a representative of the American Soybean Association. We established an office there. We have been doing marketing, promotional, and development work on soybeans in Japan. Keep in mind, this is one of the four countries of the world from which we get soybeans. They came to us from this area of the world.

In the period between 1956 and the present time we have more than doubled our sales of soybeans to Japan and all of this is strictly dollar sales.

Based on our early experience in Japan our industry set up the Soybean Council of America which is an industrywide organization in which both the processors and the producers participate, and the Soybean Council has been working in the European and Middle Eastern areas. We have gone in terms of exports of nothing at the end of the war to these 200 million bushels of beans as beans to the oil for more than an additional 100 million bushels of beans and to the export of 2 million tons of soybean meal as meal.

Not all of this increase in sales can be attributed to the efforts being made by the organization doing the market promotion work but certainly a part of it can be.

There are approximately 150 people working in countries outside of the United States directly in behalf of the sale and the usage of American soybeans and soybean products today.

Mr. GATHINGS. Do you have those men stationed in the European area?

Mr. STRAYER. There are men stationed in the European area, in the Middle Eastern area, in Japan, in North African countries, wherever there are markets. We try to have someone there to service those markets.

Mr. GATHINGS. You referred a few moments ago to the American Soybean Association about your views in opposition to increasing price supports a year ago when there was some talk of it on soybeans.

Now, was that the view of the large majority of the people who were members of the association at that time?

Mr. STRAYER. Well, our position 1 year ago was in opposition to the increase in the support price. There was talk of increasing the support price. Yes; our people were definitely behind the association in keeping the support price where it was. We did not want it increased.

Mr. GATHINGS. How many members do you have in your association?

Mr. STRAYER. Approximately 11,000 members. I might point out that our member is probably not the average farmer, because this man operates when we average them altogether, approximately 1,000 acres each. These are the men who make a business of soybeans and who really work in this area and who are familiar with what is going on.

Mr. GATHINGS. And where are they located?

Mr. STRAYER. They are located from the Gulf of Mexico, clear to the Canadian border and from the east coast as far west as soybeans are produced.

Mr. GATHINGS. You have attached to your statement an article written by you.

Mr. STRAYER. Yes.

Mr. SULLIVAN. That is copied out of the Soybean Digest. It is in the Digest.

Mr. GATHINGS. The gentleman who has just spoken is the president of the American Soybean Association and comes from Burdette, Ark., and I am proud that he is my constituent. He is a farmer, an automobile dealer, and an outstanding civic-minded man.

I just wondered whether or not, Mr. Sullivan, you have any objection to having this article of Mr. Strayer's inserted in the record.

Mr. SULLIVAN. We would like it inserted in the record.

Mr. POAGE. Without objection, that may be done.

Mr. GATHINGS. Thank you. That is all.

(This article referred to follows:)

[From the Soybean Digest, by George M. Strayer]

CONTACT YOUR CONGRESSMAN TO PREVENT PLANTING SOYBEANS ON DIVERTED ACRES

President Johnson, in his farm message to Congress, suggested that in the renewal of the feed grain program for 1966 and future years provision be made for allowance of planting of soybeans on acres diverted from other crops. The U.S. Department of Agriculture is now drafting its proposed program for submission to Congress, and through the President's message is obligated to include some recommendation on soybean planting on diverted acres.

The board of directors of the American Soybean Association, at a meeting in Chicago on February 4, took action strongly opposing the allowance of planting of soybeans on any acreage diverted from other crops on which any kind of diversion or compensatory payments are made. This was a reaffirmation of action taken on two previous occasions.

Our contacts with soybean growers indicate they are almost unanimously opposed to the President's recommendation. We have a crop which is not in trouble, which has never been in surplus, which is selling at a price well above the support level, and which both domestic and oversea buyers are using in increasing quantities. Why spoil it?

The soybean crop has already absorbed well over 20 million acres out of corn, wheat, cotton, rice and other crops which are in surplus. The growth in production and usage has been gradual—but steady. Where would we be on the other crops had we not turned to soybean production? Think of the costs of removal of those 20 million acres from production by diversion payments of one kind or another.

Soybean acreage increased by over 2 million acres in 1964. President indications are it will increase another 3-million-acre minimum in 1965. This acreage could produce as much as 875 million bushels of soybeans in 1965. Except for drought years, such as 1964, yields have been moving upward slowly but surely.

Assuming 1964 per-acre soybean yields we will have 775 million bushels of soybeans, plus any carryover, from the 1964 crop. We could have 875 million bushels at 1963 crop yield levels. Probabilities are closer to an 825-million-bushel crop.

We have never yet used or sold 700 million bushels of soybeans in 1 year. Who, with any vision, would want to allow planting of soybeans on diverted acres? Except those persons who want large quantities of cheap soybeans? Either for processing or storage purposes? Could it be that with storage facilities empty in wheat and corn country there are people who would like to see soybean surpluses? With CCC the buyer? And storage capacity being filled with soybeans?

Moral as well as economic principles are involved in this decision. Does it really make sense to pay for removal of acreage from production, then allow planting of soybeans? Whether the diversion and compensatory payments are made in whole or in part? How do you morally justify controlling production but not controlling it? How do you morally justify transferring the surplus problems of wheat, corn, feed, grains, cotton and rice to soybeans? Just because the soybean industry has done a better job of selling its product? And has not sat on its fanny waiting for Uncle Sam to bail it out?

I can conceive of no justifiable economic or moral reason for allowing the planting of soybeans on diverted acres on which any kind of payment is made. Only one group could possibly gain—the warehousemen and the crusher. And I am not sure even they want this diverted acre proposal injected into farm programing to spoil opportunities in the one good crop we have left. The loser? Every soybean producer in the Nation. Support price would be the selling price—the only price. CCC would be the buyer. Do you want that? Or do you want a free market?

Congress will have the last word. If you want to preserve the benefits of the free enterprise system in soybean production you should write your Senators and your Congressmen and tell them so. Without concerted efforts on the part of soybean growers—and this means you—we will be thrown in the same surplus basket as every other crop now in surplus.

Your letters are needed now. Let your Representative in the Congress of the United States know how you feel on this matter. Not tomorrow—today. Unless you act now you may well have soybean surpluses just as we have had them on feed grains, wheat, cotton and other crops.

Mr. POAGE. Mr. Jones.

Mr. JONES of Missouri. I want to take this opportunity to tell you and Mr. Sullivan that, in my opinion, the American Soybean Association has done the best job of any commodity group in promoting its product.

When I came to Congress in 1949 I was worried that we might put soybeans under control.

Mr. STRAYER. We were, too.

Mr. JONES of Missouri. And each year I thought, well, it seems like we are finally getting it and with this recommendation by the Department of Agriculture that we will get it.

I have had the opportunity to visit some of these countries where you have representatives of your association stationed. I have watched the work that they have done in promoting the sale and the use of soybeans, et cetera, and I think that all of our other associations who are trying to do the job they are doing, that they can get pointers from this association in this work.

I want to tell you that I am very much opposed to the Department's recommendation. I think that you have presented a very fine statement that to me should be very convincing to others. I would like to see soybeans remain one of the crops that has been intelligently

handled by the industry and that we can maintain and keep this at the status quo, so to speak, without any change.

Mr. STRAYER. We appreciate those kind words, Mr. Jones. We have things working in our favor. We would like to continue to keep them working in our favor.

Mr. POAGE. Are there any other questions? If not, we are very much obliged to you, Mr. Strayer, and to your associates.

Mr. STRAYER. Thank you.

Mr. POAGE. We are glad to have had you with us.

We now have as our next witness, Mr. Magdanz, who is becoming one of our regular customers.

We are glad to have you back with us, Mr. Magdanz. We will be glad to hear from you now.

STATEMENT OF DON F. MAGDANZ, EXECUTIVE SECRETARY-TREASURER, NATIONAL LIVESTOCK FEEDERS ASSOCIATION

Mr. MAGDANZ. Mr. Chairman and members of the subcommittee, we do appreciate the opportunity and the privilege of appearing before this committee the second time in 3 days.

We appreciate the consideration that has been given to us on every occasion.

With your permission, Mr. Chairman, as before, I would like to ask my associate, Mr. B. H. Jones, to present our statement to you.

Mr. POAGE. You may do so.

STATEMENT OF B. H. JONES, ASSOCIATE SECRETARY-TREASURER, NATIONAL LIVESTOCK FEEDERS ASSOCIATION

Mr. JONES. Mr. Chairman and members of the committee; as is set forth in the summary of our position which you will find at the beginning of the statement we generally support the basic purposes and provisions of title II of H.R. 7097. However, we strongly recommend certain amendments and changes in the language, particularly with respect to guidelines of authority in the administration of the feed grains program and the deletion or amendment of the substitution provisions governing wheat and feed grain acreages.

The feed grains title (title II) of H.R. 7097, known as the "Food and Agricultural Act of 1965," provides, primarily, for an extension of the existing feed grain program for an additional 2 years. Therefore, the basic legislative concepts (voluntary provisions) for feed grains embodied in H.R. 7097 are in harmony with the underlying policy instructions of our members. The feed grains program now in effect has proven to be a reasonably workable program. A respectable number of feed grain producers representing a meaningful volume of acreage have participated in the program and measurable progress has been made in reducing storage stocks of these commodities. Furthermore, those persons who have participated in the program have found its provisions to be workable from the practical standpoint of the participant.

Any Government program involving price supports and acreage diversion does have an impact on market prices, of course. However, experience has indicated that the present program, when properly administered, has probably kept this influence at a minimum.

The association is concerned with the amount of additional administrative authority embodied in the proposed changes and additions as set forth in title II of the proposed legislation and, also, the association strongly opposes retention of the substitution provisions as written governing wheat and feed grain acreages. Recommendations with respect to these two areas are contained in the following sections of this statement. We respectfully request your thorough consideration of them.

First, the secretary is given extensive discretionary administrative power as the bill is now written, substantially more than under the current statute which, in our opinion, goes too far in this respect. If the administrative authority in the proposed legislation is used to its fullest, it could seriously curb the all-important voluntary aspects of the bill. Overextension of administrative authority, beyond that necessary for proper administration, places undue responsibility on the Secretary and, furthermore, constitutes a serious threat to the basic freedom of the individual operator and to the effectiveness of his congressional representatives to work on his behalf.

We view as serious the complete lack of guidelines and limits in connection with the relative levels of price support payments versus the loan rate as components of the total price support level. Since it is the loan rate which exerts influence on market prices, and since the price at which storage stocks can be sold is also tied to the loan rate, authority in connection with setting a given level should be subject to reasonable limits written into the legislation itself. Also, limitations on the authority to set the payment for acreage involved in the diversion program should go hand in hand with guidelines on the loan rate.

The Secretary is also given unlimited discretion in prescribing the extent of participation in the diversion program and in determining what is a fair and equitable basis for distributing payment-in-kind certificates, rather than requiring the certificates to be distributed on the basis of the respective shares of the producers in the feed grain crop as is the case under current law. The only guideline which is contained in the provisions with respect to payments in kind is that the Secretary base his determination on what is desirable to effectuate the purposes of the program.

In another area, the Secretary is given authority to reserve not to exceed 1 percent of the estimated total feed grain base for all farms in a given State for apportionment to farms on which there were no acreages devoted to feed grains in the crop years of 1959 and 1960. In determining the apportioning of such acreages much discretionary power is given. Such authority could have grave implications. A new man could not qualify unless the local authorities were inclined to let him.

We specifically recommend termination and modification of the language in the agreement section.

We recommend that the intent of subsection (6), section 202(i) be clarified by deleting the last phrase:

(6) Notwithstanding any other provisions of law, the Secretary may, by mutual agreement with the producer, terminate or modify any agreement previously entered into pursuant to this subsection if he determines such action necessary because of emergency created by drought or other disaster.

It is our understanding that the purpose of this particular provision is to allow sufficient flexibility for modification in the case of an emergency. Such amendment would guard against the possibility of interpretation as providing authority to modify or eliminate acreage diversion or other requirements of the program in chronic feed deficit areas. Such interpretation would result in the highly undesirable substitution of arbitrary Government decisions for the natural functions of economic forces in determining land use.

Secondly, the original wording of this subsection might be interpreted as carrying the implied responsibility, on the part of the administrators, to maintain fair prices for feed grains in certain areas or in the Nation as a whole. In the opinion of this association, such action would be contrary to the basic purposes of farm programs.

In our opposition to the substitution provisions between wheat and feed grains, the association takes serious objection to the inclusion of substitution provisions which allow for feed grains to be grown on wheat allotment acres. In discussing the said provisions with Members of Congress and Department officials, we have been told that the desired intent is to allow feed wheat to be planted on feed grain base acres and be considered a feed grain under the program.

We cannot oppose allowing operators in the wheat area to plant feed wheat on acres which are now established as feed grain base acres. We do submit to the subcommittee, however, that if this is the intent, this is the manner in which the provisions should be written in the proposed legislation. It would be a simple matter to amend the existing language to read: "Feed wheat may be planted on feed grain acres and be considered a feed grain under the program."

The argument sometimes given for writing the substitution privilege into the law is that it is in the interest of efficient and flexible farming operations. However, we submit that said provisions as now written are highly inequitable in that they provide for transferring part of the wheat problem to the backs of feed grain producers. Any wheat allotment acres used to produce feed grains will add to the overall acreage devoted to feed grains and, thus, result in all feed grain producers having to take a proportionate cut in their bases.

The members of this subcommittee are aware that the majority of the members of this association are growers of feed grains, in addition to their feeding operations. There is no reluctance on the part of our members to compete with growers of grain in the traditional wheat areas; however, surely it is reasonable to insist that such competition not be fostered under the umbrella of a Government program. Particularly at this time, when feed grain stocks are reaching a manageable level, feed grains should not be made the whipping post for the wheat problems.

Enabling legislation to allow any or all wheat allotment acres of a wheatgrower to be planted to feed grains and to be included under the feed grain program is certainly not in the best interest of the feed grain program.

We sincerely hope the subcommittee will give consideration to our suggested amendment to the substitution provisions.

Mr. POAGE. We are certainly delighted to have your statement, Mr. Jones.

Mr. JONES. May I add one section to our printed statement?

Mr. POAGE. Certainly.

Mr. JONES. In addition to the above recommendations which apply to the feed grain title as proposed, we further call the attention of the subcommittee to certain of the specific recommendations submitted to the subcommittee on March 24. These include: No. 1, provisions to set up national reserves for national security and national emergency; No. 2, specific legislative instructions to prohibit preferential treatment on transportation or price by the Commodity Credit Corporation in its sale of stocks; and No. 3, provision to specifically instruct the Secretary to utilize farm and other country storage to the greatest extent possible rather than moving Government stocks to centralized commercial storage outside of the producing areas.

We will not go into detail on the specific proposals since the subcommittee already has this material in the testimony of March 24, unless we are requested to do so here.

Mr. POAGE. Are there any questions?

Mr. Callan?

Mr. CALLAN. This matter of reserves, do you not believe that Mr. Poage stated it the other day correctly, that this matter of reserves is a theoretical thing, that we can set it up, and this is the reason that it was put into the program, because, as Mr. Poage stated the other day, you can talk about anything you want, but it is still there, it has to be moved at sometime. So your association is not set on calling this extra supply of feed grain a strategic reserve; is that true?

Mr. JONES. Mr. Callan, we do feel that this would be worked possibly from this standpoint, of setting up a definite reserve, and then, in effect, locking the reserve in. You would still turn the reserve over, but whenever you had to sell any part of that reserve you would automatically then buy in the same given location, approximately, at the same time, a like quantity. This is an effective way, we would think, for locking in the reserve that we need.

The way it is now we are always playing with the thing, of determining at what price we should release these stocks so as not to damage the market, to allow them to come in without affecting the price. And we are always having a great deal of controversy and discussion about how we can do this. We think we would set these aside, regardless of what we call them, and lock them in, so that people understood that they were to be locked in, then we could insure the market from these reserves.

Mr. POAGE. Mr. Jones, that is not the point that I was making yesterday or the day before. My point was that it seemed to me that the existence of these large stocks would automatically depress the market, no matter what you did in the way of calling them a strategic reserve or any other kind of reserve.

The Congress would be the agency that would put the lock on the door.

Mr. JONES. That is right.

Mr. POAGE. And the Congress could keep the key to that lock—the Congress could unlock the door at any time that it wanted to. And every grain buyer in the world would know that. And for that reason it seemed perfectly clear to me, in spite of the argument to the contrary, that the establishment of a substantial reserve, call it a

“strategic” reserve or call it a “temporary” reserve or call it anything that you want, it is going to depress your market. And it is going to cause the farmer to get something less than he would get if the reserve were not there.

The point that I would direct your attention to is, How does the Congress ever achieve the stability of which you talk?

Mr. MAGDANZ. We could not disagree with your approach on this, that the existence would be there, and you are correct that Congress could set up these reserves this year, and the Congress the next year could change this. This is a regular procedure of government and we certainly respect it. On the other hand, if it was declared as the philosophy of the Congress and, of course, of the Department, that this reserve was going to be used for only two purposes in the case of a national emergency or for national security purposes, and in the case of widespread national disaster or drought, and this was the philosophy that was explained and adopted and then it was understood that these reserves were not going to be released at will of when these instances did not exist, which we feel at least it would minimize the impact that it would have on the market price, although we would have to admit to you that you are not going to take it away completely.

Mr. POAGE. I think probably we see this in about the same way. We ought to minimize it to some extent, but I think that it is evident here that the threat is always there. The facts are that you are going to pull this grain out any time that anybody thinks it will be of benefit to the public, and I am not trying to say that is wrong—I am not trying to condemn, nor am I trying to make it difficult, but we must face these facts.

Mr. MAGDANZ. Mr. Chairman, all we are endeavoring to do in presenting this type of a program to the committee is to find some manner or means for minimizing the necessity of Government operation in this feed grain area and allow the free market forces to take over and at the same time hold the expense to the Government as low as we can. And this is one of the things that we would hope would contribute to that.

Mr. POAGE. I think that there are two fallacies in what you have just said. In the first place, I do not think that it would hold it down; that is, hold down the expense. I think it means that the Government carries the expense that industry should carry; that is, the storage cost. But again maybe that is the present-day logic. I certainly do not think that it takes away from this Government control, because the Government controls it, the Government controls would be greater rather than lesser. You have to take the grain out of their hands before you eliminate Government control. So long as the Government has money in it, it owns it, it has title to the commodities and you have more control than you probably have if the grain was not in the hands of the Government.

Mr. MAGDANZ. Of course, Mr. Chairman, we would like to see at least the quantity that was outside of this strategic reserve or this reserve for national security purposes absolutely in the hands of the people.

Mr. POAGE. May I interrupt right there?

Do you have the slightest idea that anybody is going to carry these reserves and not make the Government carry them instead? I say

this without meaning any disrespect, not one of you will carry a bushel more of grain than you have to, to do business, and if you can make the Government carry it for you, you will do that.

Mr. MAGDANZ. The volume that I am talking about, Mr. Chairman, for the trade to carry is the volume over and above what is going to be used and consumed throughout the normal process of feeding, and other things. Of course, you and I can both recall when the producers in this country carried all of the extra grain. We know that we have gotten away from that philosophy. We are probably going to have extreme difficulty getting them to ever carry a bushel of grain, every bushel of grain that we have in the country today; but if we can at least proceed in that direction, outside of this reserve we are talking about, why, maybe we have made some headway.

This matter of a reserve I would confess to you and the subcommittee is not entirely our own idea. We heard of this in the first place back here in Washington, and I am sure as you are well aware, there has been considerable talk, not only here on the Hill, but in the Department as to, perhaps the advisability to insulate the country against national disaster—the matter of setting up some reserve that we could draw on in case of an emergency.

You will recall, also, that while this does not reduce the cost overall to the Government, we did recommend that the cost of maintaining such a reserve not be an Agriculture Department departmental expense because it would be put into effect for the national interest and not just as an agricultural program.

Mr. JONES. If I might just add these comments, I think that we have come to the point of thinking here that there is a very definite feeling on the part of various people in our Government, and perhaps others in industry that food as a strategic material, certain quantities, should be kept in reserve. And that probably any attempt to push all these reserves into industry where there would be no control of the Government over them, would probably be opposed to the point where we are going to find ourselves with the Government taking the responsibility of at least setting up some reserves for national emergency.

We feel that this philosophy is becoming rather imbedded to the point that regardless of where we think they ought to be held that a certain amount is going to be held in this fashion, and we think that if the provisions governing this were very carefully written, that the effect of them, as you have stated, would be held to a minimum; whereas as it now stands it is not, of course.

Mr. POAGE. Are there any further questions?

Mr. Greigg.

Mr. GREIGG. I believe that the suggestion of a strategic reserve has merit, but I am in full accord with Chairman Poage about the effect it will have, so far as the market is concerned. The chairman has very aptly put it that you can call it anything you want, but you still will have to give consideration to the fact that you have this reserve—you have the commodity on hand.

I think what concerns me more than anything else is that at any time you talk about national security or national emergency it becomes a pretty popular subject but I seriously question organizations coming before the subcommittee and talking about national security

and national emergencies just on the basis of having a reserve. What we are trying to determine is whether or not the group is coming before us talking about it really in the sense of national interest or are they talking about it on the basis of what they really feel would be beneficial to the marketplace. And I think that Chairman Poage has labeled it very accurately in the statements that he made yesterday and again this morning.

Mr. MAGDANZ. Mr. Greigg and Mr. Chairman, we do not mean to belabor the point. We are not disagreeing because we know your feelings, and as I told you to begin with we cannot disagree with you at all. We do have two interests here: One, we will name this one first, the matter of setting such a program which would offer an opportunity to get close to the situation where we have our supply and demand balanced outside of this reserve. That is the thing that has been talked about here this morning. That is something that we are looking for.

And at the same time, though, there is a second point and that is, the feeling that we would provide some reserve of food supply or the raw materials for the food that we do not eat, as we do not ear very much corn, as you well know, but at least we have the raw material for food which would be in the national interest.

Mr. GREIGG. Thank you.

Mr. POAGE. Mr. Gathings.

Mr. GATHINGS. I would like to ask Mr. Magdanz a question as to whether or not he remembers if you have had any trouble from blackbirds—any complaints from the feeders.

Mr. MAGDANZ. We constantly hear about blackbirds and starlings and various other things, but in all honesty I would have to tell you that it is not a great factor. The complaints are not to the point where we harbor any great concern about it.

Mr. GATHINGS. It is quite different from the man who grows the grain.

Mr. MAGDANZ. Oh, yes, that is true.

Mr. GATHINGS. Thank you.

Mr. POAGE. Mr. Callan.

Mr. CALLAN. What we are talking about as the reserves is about the same thing as the carryover, is it not—no matter what you call it? If you take the position that we want to maintain a resale price of 105 percent instead of 120 percent, when you talk that way or we talk that way, we are just really going in the opposite direction, are we not?

Mr. MAGDANZ. I do not believe so, Mr. Callan. I perhaps do not quite understand you.

Mr. CALLAN. We will have to move out this grain sometime. So if we keep it at 105 percent of the resale price or if you put it up to 120 percent, then we would insulate before the Government would be able to move it out—is this not right?

Mr. MAGDANZ. We are not, certainly, interested in that, if I follow you correctly, and that is, as we mentioned, this reserve, when we say it would be locked in, we merely mean as completely as possible insulate the free market from the resale. I do not want to use the word "dumping" because I do not mean that, but offering excessive amounts to the market or something of that sort. But if you had 4 million tons, we will say, and you turn over one-third of it every year, and had it

stored in areas where it is produced, it would be a simple matter to sell 100,000 bushels here and simultaneously replace it with 100,000 bushels taken out of the market and in this way we are not offering it on the market because we are merely trading it in order to keep these reserves in good condition and if this was done simultaneously in many locations, why, you would have the maintenance of this volume with a minimum effect on the market other than what the chairman has mentioned here that we do know its very existence there would have some effect on the market.

Mr. JONES. I think what we are trying to do here, actually, is to move toward this area that we work the Government out of the feed grain areas as much as possible and to avoid the controversy that we have heard before this subcommittee as to where this rate should be. If these are locked in under what we are talking about it would not make any difference whether the resale was 125 percent or 150 percent on these reserves, you see, because all that you would do would be to turn them over, to be sure that the grain was kept in usable condition and did not go out of condition. So what we are talking about is studying this side over here and insulating as much as possible this from the market and to firmly impress upon the industry that these reserves are locked in. The only way they can come out is in the case of an emergency which would then be at Presidential direction.

Mr. POAGE. Will you yield there?

Mr. CALLAN. Yes.

Mr. POAGE. Let me get this clear in my mind. I do not understand it. You say that it does not make any difference at what level you release this grain. Possibly it does not make any difference if you can buy for exactly the same price and at the same time the same amount at the same price as that at which you sell. Now, when you offer that grain on the market you can only sell it for whatever the market will pay you. Now, your support price determines how much you will pay for it. You have to pay at least the support price. Suppose you got a price on the corn at the support level of \$1 a bushel and you have to pay \$1 a bushel to get it in.

Mr. JONES. Mr. Chairman, you misunderstood my comment there. What we would try to do is that we would want to see these reserves insulated from the rest of the Commodity Credit Corporation stocks.

Mr. POAGE. I know you do.

Mr. JONES. When it comes to trading the other Commodity Credit Corporation stocks, then certainly your resale level would be a factor, but all you are doing is turning these reserves over and if you sell 10 million bushels on a given market in a given location and buy back the same 10 million bushels—

Mr. POAGE. Well, now, can you sell 10 million bushels—let us say in Omaha—you have got 10 million bushels stored there and it is getting old—it is not out of condition—can you move that out on the market and the same day buy 10 million bushels exactly at the same time?

Mr. MAGDANZ. That volume in any one locality, no. But certainly you could if you had 50,000 bushels stored in a country elevator, you could sell 10,000 bushels in that community and buy back 10,000 bushels out of the free market which we are now talking about.

Mr. POAGE. Yes.

Mr. MAGDANZ. You could do that and by doing it—

Mr. POAGE. Would there not be a tendency in that country elevator to cause you to have to sell it somewhat cheaper than the price at which you bought it? Let us say that I have corn out here, why would I want to sell it to you at exactly the same price that I can buy the corn for? Why would I want to buy it from you at exactly the same price that I could get for the corn that I had to sell? Why would I make any trade unless I got some advantage? As a producer, why would I move my corn? It does mean something to me to have to load the stuff on the truck and to haul it around. I do not get any pleasure or profit out of that.

Mr. MAGDANZ. Mr. Chairman, this is a cost that we have and a policy that we have developed that we feel would be helpful. There may be other ways that such a reserve could be maintained and that the markets would still be reasonably well insulated. We feel that this would work.

Mr. POAGE. Let us pursue this thing a little bit further since we have gotten this far.

Mr. MAGDANZ. All right.

Mr. POAGE. I cannot see why the farmer would trade—why would he want old corn instead of new corn?

Mr. JONES. So long as your storage corn has not gone out of condition——

Mr. POAGE. What?

Mr. JONES. So long as it has not gone out of condition, it is not necessarily worth less than the other corn on the market.

Mr. POAGE. I know that. But presuming that you are going to move it before it goes out of condition—you are going to try to do it the day before, because the longer you can hold it, the less cost you have in moving it, so that you will try to figure that on the 13th of next month it is going out of condition and on the 12th of the next month you are going to try to unload it on Mr. Callan. Mr. Callan knows just as well as you know how long I have had that grain in storage. Now, why would he or his neighbor—he is talking about buying it from them—just as much as you sell—why would the farmer want to sell you 10,000 bushels of grain at exactly the same price that he paid you for the grain that you unloaded on him? It seems to me that it will not work. It seems to me that you have to pay some kind of differential.

Mr. MAGDANZ. This is entirely possible, but there is grain in the trade every day.

Mr. POAGE. Yes, I know that.

Mr. MAGDANZ. Free grain, and it could be injected and taken out. And as you say, there could be some differential which might be a small cost toward the maintenance of this. We would not dispute that at all.

Mr. JONES. Mr. Chairman, when we are talking about this and we are saying about the same time, and so forth, relatively, this does not mean the same day. And at one time. Your purchases may be a day or two apart and at one time you may be able to buy at a little less or a little bit more, because we are talking about daily fluctuations. We are forgetting that we have a very liquid market in corn. So it is not a question of a given individual person being willing to sell or not willing to sell. We may have this portion that we may sell on a given

day, maybe rather small, depending upon the condition, and we may not buy back exactly that same day that amount, but it is the same way in the cattle business. If we buy and sell on virtually the same market, why, we can buy and sell without loss.

Mr. MAGDANZ. Or a great differential.

Mr. JONES. Or a great differential, yes.

Mr. POAGE. I think that is true, but I am thinking now of the poor boy down here in the Department of Agriculture who has the responsibility of that, because you are shifting it onto him and if the price goes up, then Congress holds an investigation and decides that he is a thief and somebody has robbed the Government.

Mr. MAGDANZ. Mr. Chairman, we would be the last to try and contend that anything of this kind would be without profit.

Mr. CALLAN. I think that the strategic reserve will have to be worked out. I do not think that you could find any way to work this program along the lines as mentioned. And, consequently this is the reason I think it was left out of the farm bill. I think that they had all of the economists down in the Department trying to figure this thing out and they could not come up with an answer.

Mr. JONES. We did discuss this with various people. I believe Don was the chairman of the wheat subcommittee, and together we sort of thought that we had solved this thing and arrived at a workable arrangement. There may be misses between that and the final enactment of it.

Mr. POAGE. Please do not feel that the members of this subcommittee are trying to criticize you for making the suggestion. That is what we want. We want people to come here and make suggestions. We want to see if we can find weak spots in these suggestions, because if there are weak spots, we want to get them out.

Mr. MAGDANZ. We have every respect for that, Mr. Chairman, and expect to try to defend what we tell you. At the same time, as you well know, we come in and take exception to some of the legislation that is presented.

Mr. POAGE. I know that.

Mr. MAGDANZ. This is the way that these things will be resolved and we are glad to be a part of it.

Mr. POAGE. We are very much obliged to you and appreciate your coming before us.

Mr. MAGDANZ. Thank you.

Mr. JONES. Thank you.

Mr. POAGE. We have as our next witness, Mr. Ladish, who I am sure wants to talk to us about malting barley.

STATEMENT OF HERBERT H. LADISH, CHAIRMAN, MALTING BARLEY SUPPLY COMMITTEE, MALTING BARLEY IMPROVEMENT ASSOCIATION, MILWAUKEE, WIS., ACCOMPANIED BY A. J. LEJEUNE, EXECUTIVE DIRECTOR

Mr. LADISH. Mr. Chairman and members of the subcommittee, I am representing the Malting Barley Improvement Association and would like to present a statement in respect of the need for the exemption of malting barley in the present bill.

Seated with me is Mr. A. J. Lejeune, executive director of the Malting Barley Improvement Association.

Under title II of the Food and Agriculture Act of 1965 as introduced in H.R. 7097, 89th Congress, 1st session, feed grains are defined as follows:

"The term 'feed grains' means corn, grain sorghums, and, if designated by the Secretary, barley."

The bill would exclude all barley, unless otherwise designated by the Secretary, which we believe is warranted, and this is very much appreciated by the malting and brewing industries.

However, it is respectfully submitted, that because of the aggravated short supply situation of malting barley, that specific exemption should be provided for malting barley similar to that contained in the Agricultural Act of 1961. In that act, malting barley growers were permitted to plant 110 percent of their 1959-60 base acreage and retain eligibility for price support.

This exemption is considered essential because under the provisions of the present bill, should the Secretary at some future time during the effective period of it, deem it necessary to include barley as a feed grain, malting barley would automatically be included although it is in a separate serious short supply situation.

The following statistics and comments we trust will serve to demonstrate the validity of our position.

Malting barley is currently in an additional serious short supply because of increased needs and reduced production in 1964 in the three principal midwestern malting barley producing States as shown in the following table:

Barley production

[In thousands of bushels]

State	Average 1958-62	1963	1964
North Dakota.....	83,704	104,384	90,950
Minnesota.....	27,051	25,884	19,630
South Dakota.....	11,883	8,900	5,875
Total 3 States.....	122,638	139,168	116,455

This is a decline of 22.7 million bushels or 16.3 percent in 1964 compared to 1963.

To add to the deficiency, the prospective plantings of barley in 1965, according to the release by the USDA on March 19, indicate a further decline in production. On the basis of the predicted acreage of 3.6 million in North Dakota, Minnesota, and South Dakota and the 5-year (1959-63) average yield of 27.1 bushels per acre a crop of only 97 million bushels is estimated for the three States in 1965. This is about 19.5 million bushels or 16.7 percent below production in 1964 and amounts to a total reduction of about 42.2 million bushels or 30.3 percent below 1963.

This situation could be additionally aggravated should present flood conditions result in extensively delayed plantings that would place the crop in its most critical stage when usual hot winds and high temperatures are encountered in July and August.

The drastic reduction in barley production in the three principal Midwest malting barley States will result in a further serious shortage of malting barley for use in 1966 from the 1965 crop and the shortage will be compounded in 1967, and following years, if malting barley is not exempt in 1966 and 1967.

The projected requirements for malting barley from 1965 crop in the 3-State area is 89.1 million bushels. This is based on projected increased usage of malt and malting barley for brewing of beer in 1966 at the rate of 4 percent over 1965, as forecast by the U.S. Brewers Association.

“Agricultural Statistics” published annually by USDA shows for the 5-year average 1958–62 that 73.1 percent of the barley produced in the 3-State area was sold. The remainder is retained for seed and feed on the farm. This means that the marketing of 1965 crop barley based on the above estimated production will amount to about 70.9 million bushels. At this point we would like to submit that approximately 12 percent of the estimated 70.9 million bushels of barley to be sold would not be of malting quality because of damage, blight and excessively high protein, and therefore would not serve to supply malting needs. Taking this into account, the remaining 62.4 million bushels will be approximately 26.7 million bushels or 30 percent below anticipated needs of 89.1 million bushels of malting barley from the crop in the 3-State area in 1965.

Furthermore, in view of the reality now of the sharp increase in the population segment in ages 20 to 40, which statistics show to be the largest beer-consuming category, and continuing pyramiding of this group, spectacular further increases in beer consumption are forecast for ensuing years by brewing marketing authorities. Beer consumption increased 5.2 percent in 1964 and increased an additional 3 percent in the first 3 winter months of 1965. It is estimated that annual increases at the rate of 4 percent will continue in following years.

Barley stocks are not burdensome in actual bushels and particularly in relation to other feed grains. A report released by CCC on April 5, 1965, showed the following quantities of feed grains under price-support loan and owned by CCC as of February 28, 1965 as compared to February 29, 1964.

[In thousands of bushels]

	1965	1964	Percent of stocks
Corn.....	1,383,701	1,573,937	87.9
Grain sorghum.....	675,200	715,160	94.4
Oats.....	101,492	72,881	139.2
Barley.....	48,597	67,333	72.1

All barley farm stocks as of April 1, 1965, for the entire United States totaled 107 million bushels which was 19 percent below the previous year and 15 percent below average. Disappearance from farms during the first quarter in 1965 was 83 million bushels, 12 million bushels or 16.9 percent greater than last year and the third largest disappearance of record.

I would like to add that because of the attractiveness of the diversion program it is unlikely that the granting of an exemption for malting barley will result in a significant increase in total barley acreage. In

fact, in 1962, when an exemption was in effect, there was an actual decrease in acreage of 7.5 percent compared with 1961, in all approved malting barley States.

Likewise, this year when a malting barley exemption is in effect as the result of the determination of the Secretary of Agriculture that a shortage prevails, 1965 intentions to plant in all malting barley States are 8 percent below 1964 acreage.

However, the granting of a malting barley exemption will cause some farmers—those who like to grow malting barley—to increase their acreage if they are eligible for price support in the event their crop does not meet malting standards due to adverse growing conditions or other uncontrollable factors. This would help alleviate the situation.

It is therefore respectfully requested that Congress provide in the Food and Agriculture Act of 1965 a specific malting barley exemption, permitting historical producers to plant 110 percent of their 1959–60 base acreage while retaining eligibility for price support. This is needed to avert a continuing serious shortage in supply of suitable domestic malting barley for use in 1966, and following years. This would give U.S. farmers an opportunity to produce in this country a farm commodity which is needed by the malting and brewing industry, which enjoys a favorable cash premium market, which does not get into CCC inventories and add to feed grain surpluses and which would minimize importation of malting barley from other countries.

Your favorable consideration of our request will be greatly appreciated.

Thank you, Gentlemen, for the privilege of testifying.

Listed at the close of the statement are the other members of the malting barley committee.

(The list is as follows:)

Herbert H. Ladish, chairman, member, board of directors, Malting Barley Association, president, Ladish Malting Co., Milwaukee, Wis.

Thomas R. Gettelman, president, Malting Barley Improvement Association president, Froedtert Malt Corp., Milwaukee, Wis.

Stuart F. Seidl, vice president, Malting Barley Improvement Association, executive vice president, Rahr Malting Co., Minneapolis, Minn.

A. J. Lejeune, executive director, Malting Barley Improvement Association, Milwaukee, Wis.

Mr. POAGE. Thank you, Mr. Ladish.

Are there any questions of Mr. Ladish?

If not, we are very much obliged to you, Mr. Ladish.

Mr. LADISH. Thank you Mr. Poage and gentlemen.

Mr. POAGE. And we thank you for being with us.

This completes my list of witnesses this morning. I want to ask permission to insert a statement from D. G. "Bill" Nelson, executive vice president of the Grain Sorghum Producers Association of Amarillo, Tex.

(The prepared statement follows:)

STATEMENT OF D. G. "BILL" NELSON, EXECUTIVE VICE PRESIDENT, GRAIN SORGHUM PRODUCERS ASSOCIATION

Mr. Chairman and members of the committee, this committee is to be commended for its forceful leadership over the years in developing and enacting policies which have strengthened agriculture while assuring the American

people a plentiful supply of reasonably priced food and fiber. Farmers are particularly appreciative of your efforts which have assisted them in making the necessary adjustments through the many changes which have lead to the present dynamic agriculture.

The Grain Sorghum Producers Association is the research, market development, and service organization voluntarily supported by the producers of grain sorghum in Texas, New Mexico, Oklahoma, Kansas, and Nebraska. Like the area of production, the principal membership of the association is centered in the High Plains of Texas. The association actively supports both public and private research which may lead to greater use of grain sorghum. It also cooperates with the Foreign Agricultural Service through facilities of the Agricultural Trade and Assistance Act of 1954, which this committee so wisely made available to farm groups to promote markets for their products abroad. Since our use of this program was started, grain sorghum exports have climbed from 22 million to 110 million bushels annually.

The purpose of this particular statement has reference to H.R. 7097, the proposed Food and Agriculture Act of 1965. Farmer-directors of the Grain Sorghum Producers Association at a meeting in Amarillo, Tex., on Tuesday April 20, studied the bill in total and analyzed title II dealing with feed grains on a line-by-line basis and took separate action on several individual items. The unanimous decision of this board representing the producers of grain sorghum in the several States mentioned, was to endorse the request of President Johnson and Secretary of Agriculture, Orville Freeman, to extend the current feed grain law providing a program of diversion payments, price support loans, and certificate payments to farmers who divert parts of their cropland from farm production. It is felt that the extension, however, should be a 4-year period rather than the 2-year period outlined in the report. Members of this committee know that farming requires long-range planning of not only land but more specifically, labor and capital. Two years just simply isn't long enough to fit current demands of farmers for effectively planning these items of production, nor for agri-business firms serving them to plan the necessary handling, storage, and transportation facilities. We urge this committee to extend the law for the years 1966 through 1969.

The grain sorghum producers take exception to the request that soybeans be allowed to be planted on diverted acres from feed grains. It is believed that if additional soybeans are needed to supply the expanding domestic and foreign demand that the Secretary of Agriculture will have adequate authority to get the necessary production from the provision allowing soybeans to be planted on feed grain acres which this association elsewhere in this statement supports.

In analyzing the President's request for certain changes in the feed grain law to facilitate easier operation and administration, our board in separate action supported the President on eight individual requests:

- (1) Removal of a 20-percent minimum requirement for participation in the program.
- (2) The number of certificates received by each farm to be based on the "projected farm yield" rather than the "normal yield."
- (3) The taking into account "the extent of participation by the producer" in determining the scale of payments, which in effect moved to a graduated scale rather than a fixed percentage of participation scale.
- (4) The permission for producers to have acreage devoted to soybeans considered as devoted to feed grains and still be eligible for feed grain payments within limits set by the Secretary.
- (5) The provision for distributing certificates on a fair and equitable basis instead of requiring them to be distributed on the basis of respective shares between landlord and tenant, but add that the provision should not in any way alter the contractual agreement for the farm rental.
- (6) The establishing of a tolerance between sign-up for participation in the program and slight errors in acreage planted.
- (7) The limitations of payments of 50 percent of the price support rate to be removed from the acreage diversion program.
- (8) A continuation of the current provision for permitting substitution of wheat and feed grains.

Being a commodity group representing only grain sorghum—a feed grain, we have confined our reference only to the feed grain section of the report as far as the application to the program's operations on the farm are concerned. There is one section in title I—Wheat, to which we would like to direct your attention.

That is section 104 which deals with the exemption of processors from the purchase of wheat marketing certificates and the redefinition of food products. Grain sorghum, like wheat, is composed principally of starch. Basically, the starch from the two grains is similar and is competitive in commercial and industrial uses after processing. There is currently one large industrial plant in Texas processing only grain sorghum into starch and starch derivatives, such as dextrose and dextrans and the like and growing prospects for additional processing plants to be established. The exemptions and redefinitions mentioned would have the effect of subsidizing the processors of wheat starch and other component parts at the direct expense of the processing and utilization of grain sorghum starch and other industrial components.

We ask the committee not to authorize the processing and utilization of wheat starch as this section would do to the detriment of the processing and utilization of corn starch and grain sorghum starch.

We thank the committee for the invitation to register these views developed after conscientious study by the producers of grain sorghum, one of the Nation's fastest expanding commodities for domestic and export use.

Mr. POAGE. As stated, this completes all of the witnesses who are here and want to be heard and we have no pending requests for further hearings.

That will complete the hearings on the feed grains portion of the bill.

The committee will stand in recess subject to the call of the Chair.

(Whereupon, at 12 noon the subcommittee adjourned subject to the call of the Chair.)

WHEAT AND FEED GRAINS

TUESDAY, MAY 4, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WHEAT OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:05 a.m., in room 1310, Longworth House Office Building, Hon. Graham Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell, Poage, Stubblefield, Olson, Foley, Redlin, Bandstra, Callan, Belcher, Latta, Dole, and Findley.

Also present: Representatives Greigg, Dague, Harvey of Indiana, and Walker.

Staff present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; and Robert C. Bruce, assistant counsel.

Mr. PURCELL. The subcommittee will please come to order.

I believe all of you present understand the situation in which we are meeting. We are delighted to have all of you from North Dakota here. You may or may not know that we had concluded our public witnesses on the wheat and feed grain portions of the agricultural bill, but we are delighted to have this opportunity to hear from you. You will be the last of the public witnesses to be heard. We think you will learn about our problems, and I know that we will learn about the farmers' problems. We should take advantage of every opportunity that presents itself to have a further exchange of ideas.

Your two very distinguished Congressmen, Mr. Redlin, who happens to be on our committee, and Mr. Andrews, asked that we set this meeting. And, as I said to start with, we are delighted and honored to do that.

Let us go off the record.

(Discussion off the record.)

Mr. PURCELL. On the record.

During the hearing, I am sure that there will be some other members of our subcommittee who will be coming in. You will see them as they arrive.

Let me say this: I suppose that every State is proud of their Congressmen, but I can say, and I feel that I am expressing the feeling of everyone of the members on this committee, because all of us know your two Congressmen—but I can say without fear of contradiction that you are fortunate in having two competent, dedicated, and very well liked and respected men representing your great State.

At this time, we will be glad to hear from the spokesman for your group.

I believe that Father L. J. Hylden is the first witness. We will be glad to hear from you at this time.

STATEMENT OF FATHER L. J. HYLDEN, PASTOR, ST. JOHN THE EVANGELIST CHURCH; FORMER DIRECTOR, NORTH DAKOTA CATHOLIC RURAL LIFE CONFERENCE, GRAFTON, N. DAK.

Reverend HYLDEN. Mr. Chairman and members of the subcommittee. I am Rev. Joseph Hylden, pastor of a rural parish, Grafton, N. Dak., and I am vice president and a member for 15 years of the board of directors of the National Catholic Rural Life Conference, and bring greetings today from such as Monsignor Goody and Bizzard, most of whom you men of the House Agriculture Committee know.

Now, my statement: Historically, any nation and any culture has lost and is forgotten when it has lost and forgotten its rural people and its agriculture people. We lose out, historically, when such people are forgotten or become unimportant to a nation or to a culture.

In our country, as you men know, the United States in 1790 was 90 percent rural and 10 percent urban; today, it is more than reversed. We are 93 percent urban, and only 6.9 percent rural.

North Dakota is one of the most rural States in the United States. We, in North Dakota, are one-third rural, one-third nonfarm rural, and one-third urban, in a State that is particularly known as a farm State.

In North Dakota, we had 66,000 farmers in 1950, and today we have 49,000 farmers left. We are losing 1,000 farmers per year, losing them in the sense that they are no longer living on the land. Some of them, of course, are moving into our own towns and cities; some of them are leaving the State.

The prediction of agriculture economists is that North Dakota will be reduced, eventually, perhaps, to a level of 30,000 farmers.

Our statement is simply that no nation can long endure without a stable rural people, and that we must be doing whatever we can—whatever must be done—within reason, to maintain democracy, of course; and we want to maintain this democracy of ours, and, therefore, the Congress of which you men are able Members, and all of the people and all of the organizations, particularly the occupational groups—and in our instance, the farm organizations—all of you must share the work and the burden of solving the farm problem.

Our immediate problem, of course, is wheat. But I merely want to make an opening statement of this general nature, to remind you, again—and you, perhaps, do not need to be reminded—that people are more important than things and that farm people are more important than farm produce, even when farm produce is bushels of wheat and tons of potatoes and sugarbeets and pounds of beef.

We hope, always in your congressional consideration, you remember it is people with whom we are concerned, concerned with people who produce. We have to be concerned about their welfare and to make it possible for an adequate and sufficient number of American people to stay on the land so that we can keep national sanity.

It was quoted this morning that Thomas Jefferson thought at one time that we could never go below the level of 50 percent being in agriculture. We are way below that level today. We do not know beyond what point we can go, but we do hope that the Committee on Agriculture of the House and this subcommittee will do those things and

take those steps in the area of retail right now, and all the other areas of agriculture, so that people can stay on the land and make a fair and an honest living and thereby keep the democracy alive and stable.

I thank you.

Mr. PURCELL. Thank you very much.

If there are no questions, we will proceed to our next witness.

The next witness on the list is Mr. Roland Meidinger, of Jamestown, N. Dak.

We will be glad to hear from you, sir.

STATEMENT OF ROLAND MEIDINGER, BANKER AND REAL ESTATE EXECUTIVE; NATIONAL COMMITTEEMAN, REPUBLICAN PARTY, JAMESTOWN, N. DAK.

Mr. MEIDINGER. Mr. Chairman and members of the subcommittee, I am the Republican member of the Republican National Committee for the State of North Dakota. As evidenced here at these hearings this morning, the concern for agriculture in our State is a bipartisan matter.

As has been mentioned, we have been losing 1,000 farmers a year, and in the last year that has declined to the point where we lost 1,500 farmers.

Fifty-five percent of the population of our State is now over 64 years of age and under 22 years of age. This gives us a great concern in our local taxing problems. We have been getting along; we have been balancing our budget, but the load per person is increasing. We are limited both by economic factors which have prevented us from developing industry—and the short-range outlook does not look very good in that regard—and limited by climatic conditions in the variety of crops that we can grow.

I come to you, not as a Republican national committeeman but, primarily, as a smalltown banker. I am the president of two small banks. One is entirely rural, you might say; the community has about 350 people. We serve, primarily, farmers.

Our agricultural loans have been going up substantially each year for the last 5 years. We are now loaning above our limits which are considered prudent by banking authorities, and we have gone through relatively good times, and yet each year farm credit is expanding. Other agencies have to be called on to help the local banks, and while credit up to a point can be a stimulant and a help, it can go beyond that point where it becomes oppressive and, of course, becomes a deterrent to those who are trying to pay the interest.

We all share deep concern in North Dakota, as businessmen and as bankers, regardless of our party, and I know that you gentlemen will give thorough and adequate consideration to our problems.

Thank you.

Mr. PURCELL. Just a moment.

Are there questions that anyone would like to ask the witness?

Mr. REDLIN. I would just like for the record to show that I am very happy that Mr. Meidinger saw fit to come here to present his statement.

Mr. MEIDINGER. Thank you.

Mr. PURCELL. Just let me add this, Mr. Meidinger. On this committee we fully recognize the truthfulness and the accuracy with which you speak. It is my privilege now to serve on what is called the National Commission on Food Marketing. We are making a study of the wide spread between what the producer gets for his food products and what the consumers pay.

One of the deepest concerns has been brought to my attention that we would be in a worse situation except for the fact that the farmers are able to borrow more money, and because of that they are still able to stay in business.

Mr. MEIDINGER. That is correct.

Mr. PURCELL. And without that, we would have had even more tragedy on the farms in America than we have had. This must be corrected in some manner, in my judgment.

My main point is that we think we understand the problem—we are looking for the answer. If you have any real good solutions, why, I think all of us would be real glad to have them.

Mr. MEIDINGER. Well, of course, having acted in a similar capacity to yours, I always liked those witnesses who left the final decision to the good judgment of the committee.

Mr. PURCELL. Thank you very much.

Our next witness is Mr. Clarence West, manager, Production Credit Association of Mandan, N. Dak.

STATEMENT OF CLARENCE WEST, MANAGER, PRODUCTION CREDIT ASSOCIATION, MANDAN, N. DAK.

Mr. WEST. Mr. Chairman and members of the subcommittee, my name is Clarence West. I am general manager of the Production Credit Association, Mandan. It is one of the largest production credit association in the Nation, having at this time over \$24,500,000 in loans outstanding to approximately 2,007 members.

The whole level of prices of grain and livestock produced on our farms in North Dakota is creating an economic crisis of farmers, ranchers, and businessmen.

We are an agricultural State with approximately 80 percent of our annual income coming from agriculture. In 1964 cash receipts from farming totaled \$647,245,000, but the important thing here is that this was a drop of \$95,283,000 from the income in 1963.

The drop in cash receipts resulted in a 36-percent decrease in net per-farm income. This has resulted in less spending for personal consumption; but, of more importance, is the fact that it has caused a sharp reduction in expenditures for farm supplies, machinery, and so on. These factors have caused a serious close down on the economy of our entire State.

There is no substitute for adequate income. Let us take 36 percent of income away from any one, except the highest paid executives, and these individuals will have to borrow to make up for this loss of income.

The first year, the borrowing to replace this lost income may be not too great a problem, and the second year most of us would, probably, be able to borrow without experiencing any real difficulty, but the third and fourth years, however, where they had a decline in the

annual income and the net worth will, probably, result in a drying up of what was considered a dependable sort of credit, whether this credit be a bank, the Production Credit Association, or the Farmers Home Administration.

Many of the farmers and ranchers that we are financing are rapidly reaching the point of no return in the operation of their units, and the Production Credit Association of Mandan is taking a long, hard look before advancing additional funds to continue to finance these operators.

Credit is a very important tool in the operation of a farm or a ranch in these days of modern agriculture, but you cannot substitute credit for income and remain solvent very long.

Agriculture in the area that we serve in southwest North Dakota is becoming insolvent at a very rapid rate. I urge you gentlemen, first of all, to support higher certificate values of price supports for wheat and feed grains; and, secondly, keep the sales of Commodity Credit Corporation wheat and feed grains to a minimum, to create an upward pressure on market prices.

We hope that you can increase the export of wheat, feed grains, and livestock.

Our farmers cannot operate at 50 percent of parity, when everything they buy is based on 100 percent parity, whether it be accomplished by a means of issuing certificates or direct price support, our farmers should receive 100 percent of parity for wheat and feed grains.

I thank you.

Mr. PURCELL. Thank you very much.

Are there any questions of Mr. West. Mr. Findley.

Mr. FINDLEY. Mr. West, if we go to \$1.25 certificate value, I assume from what you say that this would enable more wheat farmers to stay in business.

Mr. WEST. Yes, sir.

Mr. FINDLEY. Do you have any estimate of how many individual farmers would be thus benefited by this increase of the certificate value? Do you have any percentage figure that would indicate how critical this certificate increase is to the farmers of your area?

Mr. WEST. Well, I would say that 90 percent of them would be affected, certainly; and it would enable 80 percent of them to continue on farming.

Mr. FINDLEY. How many would be apt to go out of business if we did not increase the certificate value? Do you have an estimate of that?

Mr. WEST. Well, I really do not have any estimate of that, but it would be considerable.

Mr. FINDLEY. Thank you.

Mr. PURCELL. Are there any other questions?

Mr. Harvey.

Mr. HARVEY of Indiana. Of course, as an official of the PCA—and I might add parenthetically that I formerly served in the PCA before coming to the Congress—I would like to ask you how many loans you have had to write off during the past year, of people in your area?

In other words, how many loans have lost out?

Mr. WEST. I would say that 20 percent of our loans have gone sour. We have not charged them off.

Mr. HARVEY of Indiana. I see. In other words, you would say, however, that their continuance of 20 percent of them is——

Mr. WEST. Very doubtful.

Mr. HARVEY of Indiana (continuing). Very questionable.

Mr. WEST. Questionable or doubtful; yes, at least 20 percent.

Mr. HARVEY of Indiana. Thank you very much.

That is all.

Mr. PURCELL. Thank you very much, Mr. West.

Mr. WEST. Thank you.

Mr. PURCELL. Our next witness is Mr. Reuel Harrison.

**STATEMENT OF REUEL HARRISON, STATE REPRESENTATIVE;
FARMER; PRESIDENT, NORTH DAKOTA CREDIT UNION LEAGUE,
JAMESTOWN, N. DAK.**

Mr. HARRISON. Mr. Chairman and members of the subcommittee, thank you for this opportunity to present my views on the fact that it is important and necessary to improve all farm income and to keep the farmers on the land.

I am Representative Reuel Harrison, a member of the North Dakota Legislature, a farmer, living on the farm and doing my own farm work. I am also president of the North Dakota Credit Union League which I represent here today.

It is a well-known fact that agriculture is lagging behind the rest of the economy, incomewise, but not productionwise.

In North Dakota, in 1964, agriculture accounted for over 75 percent of the new wealth in the State. Agricultural income fell over \$95 million. This drop amounted to nearly as much as \$101 million, to be exact, of the total general fund expenditures of the State in the past biennium. You can imagine what this drop in income has done to the economy of the State of North Dakota.

Wheat, of course, is what we can grow best. It accounts for 22 percent of the new wealth in 1964, but all farm income is important to the overall economy.

As you know, credit unions are self-help savings and lending organizations. North Dakota has more rural credit unions than any other State. The credit unions can, and do, help the farmer members as well as their members from other occupations, but it is a terrific up-the-hill battle when the trend of individual income is down and not up.

North Dakota is losing its young people. The opportunity for income is lacking, and this all goes back to the lack of farm income which, in turn, affects all other areas of the State's income. We need to keep farmers on the land; we need to keep our young people in the State. Farm programs should be geared to this end. Farm programs should have a cutoff, a limit as to the amount of subsidy, if you will, which one individual is eligible to and can receive.

The family farmer creates the demand for goods and services, when he has the wherewithal to purchase them. The benefits are snowballing things for the general economy, whereas the larger operator has little, if any, need for special assistance and, perhaps, should not receive it.

Farming is a way of life, a good way of life, for a family. It is worth saving. It is in the best interests not only of North Dakota but the entire Nation as well. This is something that we, as farmers, cannot do for ourselves. This is something where we must have help, and, surely, this is something that a country as great as ours cannot sweep under the rug.

Thank you.

Mr. PURCELL. Are there any questions?

Mr. Findley.

Mr. FINDLEY. I am interested in your comment that there should be some limitation on payments. Would you suggest a figure that, in your opinion, that should be reasonable as a top limit that any farmer should get in the form of price support, diversion payments, and/or certificate value?

Mr. HARRISON. Well, my personal opinion is \$10,000 as the limit that would be adequate.

Mr. FINDLEY. Thank you.

Mr. PURCELL. Are there any other questions?

Let me ask you this: Did I understand you to say that in your judgment a gross income of \$10,000 would be adequate from the farmer's standpoint?

Mr. HARRISON. No; I was not talking about gross income. I was talking about the income supplemented to Federal farm programs.

Mr. PURCELL. What would that make the farmer's income be then?

Mr. HARRISON. That would be a little difficult for me to figure. If parity is at 75 percent, as it is at the present time, you could figure that on that particular basis.

Mr. PURCELL. I am interested, like Mr. Findley is, in your statement on that. Assuming that the certificate would be raised to \$1.25, making a total value to be about \$2.50 for wheat—and I think our parity is about \$2.50 or \$2.53 at the present time—that would mean that the farmer would get about parity for about 45 percent of his wheat crop.

I think we all agree that everything the farmer purchases has been going up, and he is not getting parity. I have not been able to find out who is getting it. Trucks, and all other equipment, have, certainly, all gone up in price; have they not?

Mr. HARRISON. Yes; that is right.

Mr. PURCELL. And assuming that a man is big enough as an operator that he would get more than \$10,000 worth of certificates, he is still only getting less than parity, because he is only getting parity on 45 percent of the wheat that he grows. Do you see anything wrong with a farmer, regardless of what size he is, getting at least parity on part of his endeavor?

Mr. HARRISON. Well, I am interested in keeping families on the farm; I am interested in the family-sized farmer.

It is my contention that the larger operator is better able to get financing and other means to take care of himself in this respect, and that is my point.

Mr. PURCELL. That does not answer my question, though.

Do you want to go at it again, or start over? [Laughter.]

Mr. HARRISON. Well, would you restate your question?

Mr. PURCELL. My whole question is: I fail to see what is wrong with a farmer getting parity for everything he grows.

Mr. HARRISON. That, I can agree with you on.

Mr. PURCELL. And on the certificate plan idea, at least by and large I think that we can agree that the consumers are paying only parity for the amount of wheat that they use in this country. If you, as a farmer—and you are a farmer—feel that we are going too heavy on what the farmer gets out of the program, that the Government does not put any money into, then I think we had better get our heads together and be in more agreement and come at it in a different way. This is what I am getting at, because I am not aware that there is any farmer who feels like he is getting more than he is entitled to, and who does not feel that the certificates would not be a good thing. They may not, basically, agree with the philosophy involved in the certificate plan, but they agree pretty much now, those that I have talked to, in getting the parity price for the domestically used wheat up without the Government having to be involved in paying for it; that it is a pretty good deal, so far as the farmer is concerned. This is what I am getting at.

Do you think we are giving too many certificates to the big farmers?

Mr. HARRISON. I would like to see a limitation, let's put it that way—I would like to see a limitation put on it, so that this thing is geared more to the smaller farmer—the smaller operator. He is the one I am concerned about. He is the one that is leaving the land.

Mr. PURCELL. This is only providing parity.

Mr. HARRISON. That is right.

Mr. PURCELL. For everybody, big ones as well as little ones. Do you want to cut parity off for the bigger ones and let the small ones get parity? Or would you think that, if it had to be done this way whereby parity could be provided for all producers and, then, if by necessity, even more supplementation had to take place for the smaller ones, it would be a more practical way to approach it?

Mr. HARRISON. I would like to see parity up to a limit. Let us put it that way.

Mr. PURCELL. All right I do not agree with you, but that, sir, is your business to feel that way.

Mr. Latta.

Mr. LATTA. What kind of wheat do you raise?

Mr. HARRISON. Hard spring wheat and Durum wheat.

Mr. LATTA. Hard spring wheat?

Mr. HARRISON. Yes, sir.

Mr. LATTA. You know that under this program you do not get parity for all of your wheat which is used domestically.

Mr. HARRISON. I realize that; I realize that.

Mr. LATTA. Do you know that 75 percent of your hard spring wheat is used domestically?

Mr. HARRISON. Yes.

Mr. LATTA. And under this proposal that the chairman has been talking about, you are going to get domestic certificates on only 45 percent of it. Are you aware of that fact?

Mr. HARRISON. Yes, sir.

Mr. LATTA. Would you like to comment on that? Do you think that is fair when 75 percent of your spring wheat is used domestically?

Mr. HARRISON. No, I do not, but I would like to see it straight across the board, up to a ceiling, a limit.

Mr. LATTA. We hear a lot of talk about full parity for all domestically used wheat. Now, that actually applies only to hard winter wheat, not to the type you produce in North Dakota.

Mr. HARRISON. You mean that the hard spring wheat is the only wheat that is used domestically?

Mr. LATTA. They use about 41 percent of hard winter wheat domestically.

Of your type of wheat, we use about 75 percent domestically. Wheat produced in our area, the soft red winter wheat, about 62 percent is used domestically. Notwithstanding that fact, under this program we get certificates on only 45 percent of our production. Do you think that we ought to have a flat figure like 45 percent for all types of wheat, notwithstanding the fact that more of a certain type is used domestically than another type of wheat?

Mr. HARRISON. For the purpose of these certificates, that is, to create a full parity price for the wheat—that is the purpose—and, of course, it is limited to the domestic consumption.

Mr. LATTA. Right.

Mr. HARRISON. And foreign exports, of course, do not come under that, and that reduces your overall parity on the total production of wheat. What I am interested in is a complete overall parity for all of our production, but, as I said before, within limitations.

Mr. LATTA. What I am trying to point out to you, and apparently you do not understand it, is that the type wheat you produce in North Dakota, spring wheat——

Mr. HARRISON. Right.

Mr. LATTA. 75 percent of it is used domestically in the United States.

Under this program you get certificates on only 45 percent of it. So you are being shorted about 30 percent on these certificates. What you are saying is that you would like to have parity on all the wheat that you produced.

Mr. HARRISON. Yes.

Mr. LATTA. And your position, generally, is the position of the Farmers Union; they would like to have parity on all wheat produced by the farmers.

Mr. HARRISON. That is right.

Mr. LATTA. Is that your thinking on it?

Mr. HARRISON. Yes.

Mr. LATTA. You would also like to have a ceiling on the amount one farmer can get in certificates, up to \$10,000?

Mr. HARRISON. Yes, to the individual. That \$10,000 is not exactly a flat figure. That is just my estimate of what it should be, limited to the individual farmer, and, of course, my purpose is to aid the family farmer in staying on the land. I am not so much interested in the larger operator who is better able to take care of himself. I am, primarily, interested in the small operator. I would like see the people stay on the land, instead of leaving the land.

Mr. LATTA. Actually isn't there a tendency in agriculture for the farmer to get larger?

Mr. HARRISON. There is.

Mr. LATTA. This is to be competitive?

Mr. HARRISON. There is a tendency to that effect, but I do not think that there is a necessity for it. I do not think it is good for economy, that present tendency.

Mr. LATTA. It is a fact, though, is it not?

Mr. HARRISON. Oh, yes, it is a fact. It certainly is.

Mr. LATTA. What group do you represent?

Mr. HARRISON. The North Dakota Credit League which is an organization of credit unions in the State of North Dakota. We have something over 100 credit unions that belong to the league, a statewide organization of credit unions.

Mr. LATTA. Let me ask you whether or not the farmers fared better under this program last year than they did the year before?

Mr. HARRISON. Let us say that there was a \$95 million drop in the farm income this past year. Of course, all of that was not from wheat; a good substantial part of it was. And this program helped to keep that drop from being greater; therefore, it was a help in that respect.

Mr. LATTA. Then you would like to see this program continued but with parity on all wheat produced?

Mr. HARRISON. Right.

Mr. LATTA. Thank you.

Mr. PURCELL. Any further questions?

Mr. Dole.

Mr. DOLE. I just want to point out that it is rather difficult to define the term "family farmer." Do you have any definition that might be helpful to the committee, on what you consider to be a family farmer?

Mr. HARRISON. Well, I would say that a family farmer is one where most of the labor on the farm is furnished by the family members of the farmer. In other words, it is of a sufficient size to maintain a family with a decent standard of living. This varies, of course. The size of a family may have something to do with it, too.

Mr. DOLE. I think that is the point. I was standing at the back of the room a few minutes ago speaking with a gentleman from Kansas who was indicating his situation. It is a very flexible definition; it must be, depending on the size of a family, et cetera, the crops you can raise; the climate, and many other factors which must be considered. I am certain the size of a "family farm" in western Kansas, if only acreage were considered, might frighten some people in other areas, because they are quite large, but still a family-type operation.

Would it be your opinion that this should be a 4-year program rather than a 2-year program?

Mr. HARRISON. I think that it should be a permanent program; let us put it that way.

Mr. DOLE. The question we have is between the 2 years and 4.

Mr. HARRISON. Then, it should be the longer range program.

Mr. DOLE. What about the transfer and sale of allotments? Are you for this provision?

Mr. HARRISON. To go with the land?

Mr. DOLE. No. In this bill, we have a special section that permits the farmer to sell or to transfer, to lease, to give away, or will his allotment. Do you think this is a sound provision?

Mr. HARRISON. Well, if it were limited to the actual farmer, farming on the land, I would say that it would be, yes.

Mr. DOLE. Would this have a tendency to benefit large farmers; in other words, having many large farmers and not small ones?

Mr. HARRISON. It would, unless it was limited to the actual farmers living on the land.

Mr. DOLE. If you sold your allotment, you could produce wheat or feed grain outside the program, which might increase the surplus problem.

Mr. HARRISON. Yes, that is right.

Mr. DOLE. Thank you, that is all.

Mr. PURCELL. Thank you very much.

I will say, in reply to Mr. Dole, that I think the provision only applies to the general commodities programs, as to cotton and those things.

Are there any other questions?

If not, the next witness is Mr. George Letvin, of Dickinson, N. Dak.

**STATEMENT OF GEORGE LETVIN, IMPLEMENT DEALER, DICKINSON,
N. DAK.**

Mr. LETVIN. Mr. Chairman and members of the subcommittee, I am a farm equipment dealer in Dickinson, N. Dak., and I am not here particularly to tell you exactly what to write into this bill but more to convey to you, on a personal basis, the plight of the farmer that I deal with.

I have been in the implement business almost 20 years, and there has been practically every year a depletion of farm income to the point that the cost of operation in our business has been such that we find it very difficult to stay in a small community and do business with the farmer.

We serve as a banker, so to speak, to the farmer. We have noted how, over the past year, farmers that we thought were large farmers, had a good credit standing and all, have gone downhill. Farmers are now starting to charge on open accounts with us for parts and services, starting in the months of January, February, with no ability to pay on a monthly basis until fall. I am speaking of open accounts, not conditional sales contracts. This creates a real hardship on every business in our area, because we are wholly dependent on farm income.

The farmer, I feel, does not need more credit. What he needs now is more income to pay some of the bills that he has created, because of too much credit and too little income.

We are getting to the point where, in the spring of the year, we have to trade in paying equipment for the downpayment that the farmer needs for his operation, because he is short of the downpayment to buy the equipment.

We will trade in spring goods for the downpayment, in order for the farmer to buy his harvesting equipment.

We have noticed that during the past 10 years that the reduction of these accounts have been less and less, to the point now that all of our operating capital is tied up in open accounts.

Gentlemen, we, certainly, feel this squeeze in our business, and I am sure that I am speaking for every business in North Dakota when I say that they feel this, too.

We have an overabundance of common labor, young lads coming off the farms, because they have no room on the farm. They come into

town. They are willing to work for anything that anybody will pay them, just so that they can find a way of making a livelihood. This has hurt the overall economy.

Gentlemen, I am not going to take up any more of your time, except to say that this challenge is here; it has to be met, and we ask you to do your best.

I thank you.

I will submit a letter that I have here, from myself, for the record.

Mr. PURCELL. It may be made a part of the record at this point.

(The letter referred to, dated May 4, 1965, follows:)

LETVIN FARM EQUIPMENT Co.,
Dickinson, N. Dak., May 4, 1965.

HOUSE AGRICULTURAL SUBCOMMITTEE,
Washington, D.C.

GENTLEMEN: The people of my trade area are becoming more and more alarmed at the declining farm prices. We are entirely dependent on the agricultural economy, yet the farm prices are completely out of balance with the national economy. We find ourselves in a constant price squeeze. Industry and labor are both constantly increasing our costs of doing business, and every year we are "greeted" with farm programs that do not provide a fair return for our product. But, still our tax dollar is used to help all other phases of the national economy.

Our local economy is controlled in Washington. Therefore, we urge you to meet the challenge before you and provide us with a realistic program which will provide our farmer with a fair return on his investment.

Your truly

GEORGE LETVIN.

Mr. PURCELL. We thank you very much.

Are there any question?

Mr. Redlin.

Mr. REDLIN. Mr. Letvin, I gather from your testimony that you deal with a cross-section of all of the farmers in your community?

Mr. LETVIN. I do.

Mr. REDLIN. Obviously, it appears to me that you indicate that the farmers all across the board are having trouble, whether they be large, medium or small?

Mr. LETVIN. Yes, they are having their troubles.

Mr. REDLIN. Thank you.

Mr. PURCELL. Mr. Latta?

Mr. LATTA. Have you seen any improvement in the incomes of the farmers in your area?

Mr. LETVIN. I have not, sir.

Mr. LATTA. You did not find any last year?

Mr. LETVIN. I did not; no, sir.

Mr. LATTA. Thank you.

Mr. PURCELL. Mr. Callan?

Mr. CALLAN. Mr. Letvin, I know what you are talking about. Do you not believe, though, however, that without the farm programs things could be worse?

Mr. LETVIN. I definitely do, yes.

Mr. CALLAN. In other words, you favor farm programs?

Mr. LETVIN. Yes.

Mr. CALLAN. Do you think that we have to have farm programs to balance our supply and demand in agriculture, and that if we did not maintain them, that the accounts receivable that you have may have to be charged off; you believe that?

Mr. LETVIN. Oh, yes; oh, yes.

Mr. CALLAN. Thank you.

Mr. LETVIN. I would just like to add that, please, that this farm economy cannot be just taken all by itself. We feel that it has to be tied into our national economy. I think we play a very important part in the lives of the people in the industrial centers, and in the cities all over, and yet we talk about a farmer program. The costs of living are going up, as we all know, and yet what we sell is way down. We do not get a fair return for our investment.

Mr. CALLAN. What has been the situation as to the price of this farm equipment in the last 2 years?

Mr. LETVIN. It has gone up.

Mr. CALLAN. How much?

Mr. LETVIN. It will go up from 2½ to 3 percent per year, and then there are the model changes, the improvements, and the new features that are built into the equipment; all of that adds to the cost.

Mr. CALLAN. The volume of farm equipment is cut down; they sell less each year, but each year we get a new price increase.

Mr. LETVIN. We cut down in volume sales per item, but dollarwise the volume is going up.

Mr. CALLAN. More money but less units?

Mr. LETVIN. Yes.

Mr. CALLAN. But the price keeps working up every year?

Mr. LETVIN. That is right.

Mr. CALLAN. Thank you.

Mr. PURCELL. Just one more question, please, sir.

You are not through. [Laughter.]

Let me just ask you this, Mr. Letvin—or rather, I will preface my question with a statement.

We know of our general flourishing prosperity, do we not, in the whole country, and the only segment of our entire economy that is suffering, so far as I know, is our agriculture; yet, it seems to me that we, on the farms, have made it possible for the cities to do the kind of growing that they have. They have, by and large, utilized the talent and the labor and the brainpower that comes from the rural areas of America. And then realizing, although something less than 8 percent of the people are still farming and 40-odd percent of all of the economy in the country is engaged in what they now call agribusiness, and the agribusiness people, outside of the outright farmers, are getting parity of income, if they want to call it that, the equipment manufacturer that you get your equipment from, he gets his money; does he not?

Mr. LETVIN. Yes; he does.

Mr. PURCELL. Then, can you see anything wrong, morally, economically or otherwise, where the farmer receives parity of income on, at least, a part of his product?

Mr. LETVIN. I would say parity on all of his products, at least, in my area, as I live with my farmers, I see nothing wrong with the economy being balanced and his having full parity.

Mr. PURCELL. I do not either. If we can just get part way, we are better off than not having any of it; are we not?

Mr. LETVIN. That is right.

Mr. PURCELL. Do you know of any of these equipment manufacturers, or anybody else that you deal with, who get the full price for

a part of their machinery and then are cut off when they get enough money to kind of eke along? [Laughter.]

Mr. LETVIN. By the 10th of the month, my check has to be there for the total amount.

Mr. PURCELL. And they do not send you an inventory, do they, and say "I have enough profits this year; you do not have to pay me any more"?

Mr. LETVIN. No.

Mr. PURCELL. Thank you very much.

Mr. LETVIN. Thank you.

Mr. PURCELL. Just a minute. Excuse me. There is another question by Mr. Stubblefield.

Mr. STUBBLEFIELD. Mr. Letvin, a couple of years ago, Cornell University and Iowa State University reported that without price supports you would have a 30-percent cut in farm income. Do you feel that the farmers could exist with a 30-percent decrease in their income?

Mr. LETVIN. I do not think that they should be even asked to take this cut.

Mr. STUBBLEFIELD. I say, do you think that they could exist?

Mr. LETVIN. With a 30-percent cut in today's income?

Mr. STUBBLEFIELD. Yes.

Mr. LETVIN. No; I do not think that the farmer can take any cut from today's income. If he were to have that cut in today's income in western North Dakota where I live, we are going to eliminate him.

Mr. STUBBLEFIELD. At the present level of prices?

Mr. LETVIN. At the present level; yes.

Mr. STUBBLEFIELD. Thank you.

Mr. PURCELL. Mr. Redlin.

Mr. REDLIN. If I understand what you are saying:

Has there been any improvement in the blend price of wheat in your area; and would it be extremely helpful in your economy if there were any such increase?

Mr. LETVIN. That is right. I feel that it is a must at the present time.

Mr. REDLIN. Thank you.

Mr. PURCELL. I will certify now that we are through with you, Mr. Letvin. [Laughter.]

Our next witness is Mr. Roy Eddy.

STATEMENT OF RAY EDDY, FARMER, JAMESTOWN, N. DAK.

Mr. EDDY.. Mr. Chairman and members of the subcommittee, I am happy to be here. I farm in North Dakota. I think we are beginning to feel the differences in farm organizations, probably as it was reflected right here today.

If you were to limit Government payments, I would run like mad, because I cannot live on what my friend here suggested. I do not think that there should be any limitation. We have enough involved in this agricultural problem without injecting any more confusion into it. What we are faced with as farmers, is a little larger than the gentleman said.

Mr. PURCELL. Will you talk louder?

Mr. EDDY. The larger you get the more you lose. Contrary to the other statement that was made.

I had the idea that I could expand and probably make up that difference. I found out that you cannot do it.

I had \$154,000 worth of sales last year, but I lost \$29,000, and \$23,000 of that was depreciation, but \$6,000 had to come out of the milk can or somewhere else.

If we are to continue in wheat that does not clear out the costs that we have today, we are going to have to have a higher price for wheat.

The bill that you passed last year was helpful, but it was not as good as the bill that we had, because the only thing that saved us in our section of North Dakota last year was an abundant crop, a tremendous crop, a better crop than I had ever seen, which helped to make up for that difference in the price, the 25 percent of that crop that went on the world market, and the \$1.30 wheat. And I cannot grow that with the costs that we have today.

On Sunday, I picked up the Chicago Tribune. In it was an article which the men who spoke ahead of me just now brought to my mind. It had a headline to the effect of the bumper farm equipment year, and that forecast was for record sales increasing. Well, everybody, as you know, has said that the economy has been enjoying great prosperity, but we have been taking less and less. If they are going to continue to make these big profits, then it seems to me that the time has arrived where they should come in here and help us on the farmer bill, such as International Harvester, Oliver, Allis-Chalmers, even Mr. Reuther of the CIO, because Mr. Schuman the head of the American Farm Bureau Federation, I do not think we are ever going to get together on any program ourselves.

I also feel very strongly in that respect, because the Farm Bureau members, friends of mine where I live, do not agree with him on the wheat program. It is a tremendous organization, however.

There is, probably, in our territory, a need for saving this family-type farmer. That is probably the basis for our whole farm credit structure. I want to see them stay, because some day I may want to sell out and run, and I want to have somebody to sell to.

I cannot see how we can continue, though, with any less than we are getting. I cannot see how we can continue even to operate with what we are operating with today, with our costs as they are. Taxes are up.

I am a farmer by mistake. I staked four young fellows in farming. And one by one they dropped, and I picked up the marbles to show them how, and I have not showed them how yet.

Thank you.

Mr. PURCELL. All right. Thank you very much.

Are there any questions?

Mr. Latta.

Mr. LATTA. You mentioned that this program is not as good as the program we had.

Mr. EDDY. That is correct, in my opinion.

Mr. LATTA. How did the farmers in your area fare under this program as compared to the preceding program?

Mr. EDDY. Well, I would say that they all are hurting a little. Those that I have talked to; they are not as free in their spending this year as they were. We have generated something here that, I might add, I think would be helpful.

You get the businessmen and the farmers united together for the first time; you have, to my knowledge, because the businessmen are just as well in this farmer program as I am. Why cannot we go on and expand that further and let these other people know that their future is at stake, because we do not want to go back to the 1930's; we do not want to go back to those days when we had an involuntary boycott of buying machinery. We did not have the money to buy it in the 1930's. I have heard it said that if we cannot get help from our own organizations, that we had better boycott the farm machinery manufacturers to get their help. We went along 10 years without buying machinery in North Dakota. I think that we could go on a few more years with the machinery that we have now. I think we are throwing away better machinery than we farmed with then. I was not farming then, but I was trying to collect gleanage on harvester paper in North Dakota, and it was most difficult.

Mr. LATTA. Thank you.

Mr. PURCELL. Are there any other questions?

Mr. FOLEY.

Mr. FOLEY. Is your machinery in North Dakota now pretty old, generally?

Mr. EDDY. No; I do not think so. I think the machinery people are rather aggressive. I think they have done a good job.

Mr. FOLEY. Are farmers buying new machinery?

Mr. EDDY. Not as much this year, in my opinion.

Mr. FOLEY. Because of the farmers lower income, is that the reason?

Mr. EDDY. It dips into capital; as you noted from my own statement, when you start using depreciation, you are using your capital.

Mr. FOLEY. Thank you.

Mr. PURCELL. Mr. Callan.

Mr. CALLAN. The \$95 million drop in the farm income in North Dakota, where did it drop from?

Mr. EDDY. Part of this last year came in the cattle sales, because the calf prices were terrible last fall.

The others came from, I think, mainly from our wheat. Our barley price dropped there for a while at harvest time, but it got better toward fall, the later months. If you are forced to sell at harvest time to pay your bills, you had a better price for barley than we did the year before even.

Mr. CALLAN. Have you figured out what the adjustment would be with reference to the wheat certificates, on your payment per bushel? Have you figured that out?

Mr. EDDY. I do not have it with me. I have the figures at home. I did not bring them with me.

Mr. CALLAN. Thank you.

Mr. PURCELL. One more question in regard to the income that has gone down.

You are aware of the fact that the wheat program that was in existence was the result of the law, did you not? New legislation had to be put in to effect it or there would have been no program?

Mr. EDDY. Well, I know that. I say, we appreciate what we have got, because it was much better than facing that bleak nothingness as it was and hope that we would get a plan. You said it could be limited to 4 years, but I do not know what business you can run when you are

limited from year to year on what you can do. I think we have to plan ahead in this, like in any other business, and it is impossible to plan ahead without a long-term program. I get worried about what you are going to do down here, and between that and watching the weather, I am about ready to give up farming. [Laughter.]

Mr. PURCELL. A bill has been introduced to make this permanent in nature. We are not all in disagreement with such a bill.

Mr. EDDY. In North Dakota, we face another hazard which is terrific, which is the weather. We are used to crop failures.

I will bother you with one little story. In 1961, I lost my shirt. I was visiting a farmer who had lost his shirt, too. And his wells were drying. He was watering his cattle by tank wagon. I said, "This is for the birds; I am going to get out." He said, "Ray, maybe next year things will be better." I think that is it.

Mr. PURCELL. Thank you very much.

We will next call on State Representative Henry Lundene.

STATEMENT OF HENRY LUNDENE, MEMBER OF THE NORTH DAKOTA LEGISLATURE; FARMER AND STATE CHAIRMAN OF FEDERATION OF NORTH DAKOTA PRODUCTION CREDIT ASSOCIATIONS, ADAMS, N. DAK.

Mr. LUNDENE. Mr. Chairman Purcell, I am afraid I am in the same category as many of the others. We have problems and no answers. However, I am very happy to leave the answers to my problems in your capable hands and those of the members of your subcommittee and my own Representative, Congressman Redlin.

My name is Henry Lundene, of Adams, N. Dak., a member of the North Dakota Legislative and State chairman of the Federation of North Dakota Production Credit Associations representing farmers and reachers of that State.

Production credit associations being a part of the Federal Farm Credit Act and maintaining offices or branch offices in every town of any size in North Dakota, to provide the operating capital for a considerable number of farm operators, and have done so for the past 30 years.

During the short time that you shall listen to me, I would give you a picture of what has been happening in the past dozen years.

At that time many farmers came to PCA and filed a statement and obtained nominal sums for operating on an unsecured basis. In the next year or two, his operating and capital requirements become much greater and we in PCA would require security in his livestock.

Again he is back and his requirements have again increased substantially, and the loan committee insists that his machinery also be included as security to cover the loan. He returns to PCA in a year or two and again his requirements have increased and now the loan committee will only act favorably if we also have a mortgage on the crops.

It is not long before this type of security has been all used up, and then the borrower is informed that the only alternative is a mortgage on the farm and, if need be, a second mortgage, or even a third.

By this time, the lender has used everything available to extend credit to this farmer, all his livestock, all his equipment, all his crops,

all his equity in his real estate—he has assigned to us his payments for sugar beets, his Federal payment for land retirement.

Every year, both the farmer and the lender are hoping and praying that something will happen to get him out of his predicament.

Now, the time has come for many where there are no more avenues of escape and the full board meets and declares that the individual must be closed out in order that the association which belongs to the farmers of the area can be spared a heavy financial loss. Unrealistic land value increases have maintained the net worth position of many of our farm owners.

I do not claim that many farmers in North Dakota have run this complete financial gamut, but I do claim that almost without exception their financial status has declined in this order by one or more of the steps mentioned.

When the end comes, it means another farm family thrown upon the market of unskilled labor, and many of them too advanced in age for retraining. I cannot see where these people have much to contribute to the economies of our cities or States on either the east coast or the west coast.

Gentlemen, I am not speaking of inefficient farmers, part-time farmers, or undersized farms. I am speaking of farmers who in many cases operate hundreds of acres in the most fertile part of the world; I am speaking of farmers who have several generations of agricultural know-how as background.

Not only is the farmer going down the drain, but his own cooperative finance, his PCA, a part of the Federal Farm Credit Act, his lifeblood, too, is ebbing away. This is not a farm problem, gentlemen, this is a national tragedy.

We believe the Congress of this great Nation can and will do something if the clear facts can be brought to them that farmers cannot produce for less than cost and that our gross national product can reach new heights if and when buying and paying power is restored to the farmer.

Mr. PURCELL. Any questions?

Mr. Findley.

Mr. FINDLEY. Do you feel that the proposed program is adequate to meet the income problems of the wheat farmers?

Mr. LUNDENE. I have not studied the proposed program. I am only citing the farmers' problem as it exists today. It has degenerated in the last few years.

Mr. FINDLEY. Thank you.

Mr. PURCELL. Just in passing, a program that added 25 cents a bushel, or let me say added 12½ cents a bushel across for the wheat grown would be a significant increase to the wheatgrower, would it not?

Mr. LUNDENE. That 12½ cents would be all velvet; that would help.

Mr. PURCELL. All right.

Mr. LUNDENE. But in answer to the question of the gentleman sitting over here, our blend price on wheat was \$1.46 last year in my area of North Dakota.

Mr. PURCELL. Thank you.

The following people have permission to file statements in the record, and the requests that I have are from:

The Reverend William Davidson, Jamestown, N. Dak., pastor of Episcopal Church and chairman of the town and country department of the North Dakota Council of Churches: Lloyd Schroeder, Elmo V. Cain, Fred G. Ehlers, and William J. Johnston.

And I have a request from two persons from Texas, Mrs. O. G. Hill, Sr., Hereford, Tex., and Mr. and Mrs. Roland Kotara, Panhandle, Tex., to file statements, and they have permission to file statements for the record.

The statements of Rev. William Davidson, Lloyd Schroeder, Elmo V. Cain, Fred G. Ehlers, William J. Johnston, Mrs. O. G. Hill, Sr., and Roland Kotara follow:)

STATEMENT OF REV. WILLIAM DAVIDSON, JAMESTOWN, N. DAK.

I am Rev. William Davidson, rector of Grace Episcopal Church, Jamestown, N. Dak., and chairman of the town and country department of the North Dakota Council of Churches.

It is a privilege for me to join my fellow North Dakotans in this effort to express our deep concern that the Congress take adequate steps to insure that the economic condition of our area be maintained, at least at its present level, in relation to the economy of our Nation. Since the economy of the State of North Dakota and most of the surrounding area is based almost entirely on agriculture, we are specifically concerned that Congress give special attention to the farm program, employing whatever means are necessary to insure the economic stability of which I speak.

We are told that very few Members of the Congress have time to be concerned about this. We are told that, because farmers cannot agree among themselves on the specifics of a farm program, there is feeling in Washington that they ought to be left to fend for themselves. We are told that the once-powerful influence of the farm bloc in Congress has now rightfully, if not belatedly, been transferred to those who represent the urban and metropolitan areas, and that farmers can therefore expect a sort of "congressional golden rule" to go into effect, which states: "Do unto others as you think they have done unto you." We are given to understand that this policy is to operate to their discomfort and perhaps the demise of our farmers, for all anyone cares. We are told that it is not important that the farm population of our State is outmigrating to the major metropolitan areas at a phenomenal rate, thus adding to the employment problems there and destroying the social structures of the small towns and villages of our State, including the weakening or dissolution of many of the small town and country churches.

I have issued this plea for consideration of a sound agricultural economy, not just because we want privileges or a special "handout" for the farmer. He is no more deserving of a living at public expense than anyone else, but unless some immediate attention is given to the farmer's income the total economy of our whole State will decline to an impossible level and there will be either mass outmigration, or mass starvation, or perhaps both.

Obviously the church is concerned about this. I cannot claim to officially represent either my own denomination or the North Dakota Council of Churches because they could not be properly consulted about my presence here. However, churchmen everywhere will surely agree that low income, fear of greater poverty, inadequate social institutions because of sparsity of population or the "high social cost of space" are major deterrents to the social, economic, and spiritual well-being of men as individuals or groups.

Clergy of churches belonging to the North Dakota Council of Churches recently took part in a fine conference on the campus of North Dakota State University, where many of the trends affecting our North Dakota society and economy were carefully outlined and studied. We came away from the conference wiser, but certainly convinced that we have become the victim of economic determinism. We would observe that many of the trends do not need to continue inevitably. There can arise some social—yes, even a spiritual prophet—who can set plans in motion now that will slow, stop, and even reserve these trends.

Our State and area owes its very existence and most of its social and economic problems to the Federal Government planning and programing. This year in the face of our great needs is no time for the Congress to get out of the business of being concerned about farming in North Dakota.

STATEMENT OF LLOYD SCHOEDER, HETTINGER, N. DAK.

Mr. Chairman, and distinguished members of the committee, my name is Lloyd Schoeder. I am from Hettinger, N. Dak., a typical farm community located in the southwestern part of the State. I have been a retail grocery store manager in that city for the past 25 years and in addition to that I carry on a private public accounting practice which brings me contact with the financial problems of 50 percent or more of the farm families or businesses of the area. I have made this trip, some 2,000 miles across country, with the hope that I might be able to bring you the feelings of the Main Street merchants of this typical farm community. To us, your committee is the most important committee in the Nation's Capital as we are entirely dependent on agriculture for our new wealth and we prosper only as that segment of our economy prospers; therefore it is only natural that we turn for help to you. In 1964 agriculture suffered a severe setback in our community and we on Main Street are suffering with it. With lower prices for our major farm commodities; namely, wheat, barley, and livestock, the overall cash receipts to our farmers has dropped to nearly 80 percent of the 1963 level in spite of the fact that we enjoyed a better overall crop-year in terms of production. During this same period the cost of production on the farms remained at an alltime high and in many instances has increased. The result of this combination has reflected itself on Main Street in the following manner; first, from personal observation, I would say that the accounts receivable of the merchants of southwestern North Dakota have risen approximately 20 percent; secondly there has been about a 15- to 20-percent decline in purchasing power and thirdly there has been a noticeable downward trend in the economy of the area which is reflected not only in our business places but in our churches, schools, and other community activities as well. We realize that your committee was somewhat confused by the results of the 1963 wheat referendum, when our farmers went to the polls and voted down the 1964 wheat program. However, we on Main Street feel that the majority of farmers who voted "No," did not stop to think out the consequences or were misinformed. I think we have just right to arrive at that conclusion

In our home county, 23.7 of our farmers went to the polls and voted "No" on a program that would have brought them somewhere in the neighborhood of \$2 per bushel for their wheat plus \$9.40 per acre for all diverted acres. After the price of wheat had gone down to \$1.25 per bushel and they had the chance to see that it really could happen, and then after Congress was able to put through a wheat certificate program to supplement part of the loss, then these farmers to within 2.3 percent of them came back in and signed up for a program that only brought them about \$1.65 per bushel and only \$4 for their diverted acres. Certainly this is definite proof that there was not constructive thinking when they voted in the 1963 referendum. When we talk of farm programs we cannot just think of the present but must project our thinking far into the future. Many of the cattlemen of our area have in the past argued that they did not need controls and have cited the prices they had received in prior years as proof of their convictions. However, in the long run this did not work out. When our grain farmers saw that they were going to have to take less money for their grain it was only natural that they turn to something else to supplement their income. As a result about 75 percent of our grain farmers increased their cowherd by 5 to 10 animals and now we are finding ourselves with an overabundance of beef and a depressed market which puts our cattlemen in the same price squeeze and we have come up with a net gain of nothing. Certainly this has only backfired and now both the grain farmer and cattleman are in trouble. Our potato growers went through a similar transition. Operating without controls over a period of years, we saw the price of potatoes decline in price to one of the lowest points in history. I personally purchased several truckloads of potatoes in 1963 for 90 cents per hundred which included 70 cents trucking charges. As a result many of our potato raisers were forced out of business. Now and during this past winter with a short supply we have

seen the price skyrocket and the consumer has had to pay the price. This was certainly no victory either for the producer or the consumer as there weren't many producers left to enjoy the better price. Had there been a more equitable movement of this commodity over the period no one would have been in any trouble and we certainly would have had a more stable economy.

In a recent article in the Minneapolis Tribune, dated April 25, 1965, a staff-writer by the name of Dick Youngblood stated that Budget Director Kermit Gordon had sounded the grim warning that 2.5 million farmers with gross incomes of below \$10,000 do not now and cannot in the future be expected to operate successful commercial farms. We of Main Street do not fully agree with this statement. In our area this farmer with the \$10,000 or less gross income has a better chance of survival than the one in the \$20,000 to \$25,000 bracket. Generally speaking his demands are not near so great. He does not have to constantly purchase high-priced equipment and maintain it. He and his family provide the necessary labor to operate that family farm and he is not bogged down with high interest costs and machinery or land payments. In addition to that he produces a lot of his own family's living. We believe that if he could receive 100 percent of parity for the grain he does produce that he could continue to survive and rear families under conditions that are conducive toward making good American citizens. This is the farmer that keeps the cash registers of our agricultural communities ringing, for it is he who purchases his food, clothing, and shelter in our small towns and supports the churches, schools, and other community activities that are so vital to our American way of life. We on Main Street have a life investment in our stores and inventory and we are justly proud of them. If 45 percent of our farmers must be eliminated from the farms then we too must go with them as we cannot depend on the big farmer who buys his supplies in truckload lots or buys his machinery at wholesale prices direct from the manufacturer. We can see no future gain in eliminating our small farmers and let them drift into the industrial centers to create a new problem there. If they must be subsidized it should be much better to keep them here on the farms, working in an environment under which they are acquainted than to start them in something entirely new and under conditions that are strange to them. An old saying goes like this: "A prosperous America depends upon a thriving and healthy agriculture." If our farmers can receive 100 percent of parity for their products they will continue to produce commodities that are best fitted for their land operations, but in the absence of that income they will shift their operations in order to maintain their income.

We on Main Street are not afraid of the so-called surpluses of food and fiber. We stockpile strategic metals, we subsidize transportation, communication, education, and many other segments of our economy under the assumption that it is a necessity to maintain our good position. We feel that the stockpiles of food and fiber should be counted as an asset to this country and that they have made us the great Nation we are. We have proven to Communist Russia that our American way of life is right. Adequate supplies of food and fiber should be counted as a blessing and has made our country one of the best fed, best clothed, and most prosperous countries on this earth.

We would not like to criticize without offering some solution to the problems. We believe that the value of the wheat certificates should be raised for the 1965 crop or that a support price system should be devised to increase the price of wheat and feed grains to 100 percent of parity. This is a must if our farm families are to exist and our rural communities are to keep up with the rest of our economy. Our consumers have shown little dissatisfaction with the price they have had to pay for a bag of flour. It is still the best bargain in any man's language and we note that 1964 set a new record in flour consumption with an increase of 2 percent over 1963. We believe that our stockpiles of food and fiber should be maintained by the Department of Agriculture and that they should refrain from dumping large quantities of grain on the market during our harvest period. Many of our farmers are forced to sell at that time in order to meet harvest expenses and current operating costs. We note that exports of U.S. wheat are expected to be down for this past fiscal year. We urge you to do everything in your power to increase this export market of wheat, feed grains, livestock, and livestock products. We are happy to see that a trial lot of Hard Spring wheat was shipped to Japan this past month where there is a potential market for 25 million bushels. From personal observation it would appear that an attempt should be made to limit Government payments to one individual in order to curtail the movement toward bigness and keep our family-type farmer.

It is he to whom you must give utmost consideration in upgrading the price of agriculture products if we too on the Main Street of our agricultural communities are going to participate in the prosperity of this great Nation.

STATEMENT OF FRED G. EHLERS, HETTINGER, N. DAK.

I think it would be a serious mistake if the Bureau of the Budget proposal to establish a revolving fund to help pay for technical assistance in establishing soil and water conservation practice on the land, would be approved by Congress.

As a former president of the North Dakota Association of Soil Conservation Districts, as well as serving as district supervisor for over 15 years and presently a member of the Public Advisory Committee on Soil Conservation to the USDA, it is my belief that the soil districts with the help of Soil Conservation Service technicians, have been doing just what President Johnson is requesting: to beautify America. Therefore, the program should be strengthened rather than weakened. As an example, in North Dakota, in the past 20 years, thousands of farmstead shelter belts have been established to protect livestock and wildlife from storms. Also, many miles of field tree rows have been established to protect the soil from wind erosion. Together with all the other practices such as strip cropping, contour stripping, water diversion ditches, dikes, and dug-outs—just to mention a few—have made North Dakota a more desirable and beautiful place to live. There is still a great deal of work on soil conservation that is left undone. This is partly due to the fact that over the years there never has been enough money made available by Congress to provide the necessary technical assistance to get their job done. There are a great many farmers and ranchers who do not have a soil conservation plan on their farms and ranches. It does not seem right to me to expect these ranchers and farmers to pay part of the cost of technical help, when over the past 30 years those that were fortunate enough to get a plan established received their technical help at no cost to them.

Even with cost sharing from other USDA programs, such as Great Plains conservation and agriculture conservation programs, the farmers and ranchers still have to make a substantial financial contribution to get a complete soil and water conservation plan applied on the land.

STATEMENT OF W. J. JOHNSTON, GRAFTON, N. DAK.

The 1965 farm bill presented to Congress by President Johnson's administration contains sound and important recommendations that should have the earliest possible attention.

The following are especially urgent; not only because they would be helpful to farmers, but to the entire Nation as well:

No. 1. Due to the limited acreages that farmers may plant, cutting down their income and because of higher operation costs, many farmers are producing our food at a loss to themselves. If they are to continue farming, they must receive higher pay for the products they grow.

No. 2. While much has been done and is being done to encourage agriculture conservation program practices, diverting cropland and to other uses to prevent soil erosion, there is a great deal more that can be accomplished. Certainly, it is most important to save the soils of this Nation.

No. 3. The President's recommendation to take 40 million acres out of production on a long-term basis is excellent. The farmers would receive fair payments, perhaps similar to the old soil bank. This could well be the solution to our farm problem.

STATEMENT OF ELMO V. CAIN, LEMMON, S. DAK.

You are well aware of the decline in farm income which is the most important economical factor in our agricultural areas which are almost wholly dependent on farm income.

The farmer is now buying products which are costing over parity and the products he sells is under parity, therefore, he cannot pay his obligations.

The most potent is price-squeeze loans to farmers which give them no release from problems unless there is an increase in net income so that they can repay their loans.

Resentment against Government regulations is quite natural, but we must have them, and farmers must be educated to this fact because the gains are so much greater than the annoyance of being forced to comply not with governmental control but congressional control; and administrative departments of the Government must enforce legislative acts passed by Congress.

In our community we have had many auction sales and business places that have closed.

I would suggest full parity on all domestic farm products used in the United States.

Make attractive on-the-farm storage programs, including farm facilities, so that most grains will be stored on the farm or local elevators.

I believe that we should take the departments out of the Department of Agriculture that do not belong there and get them in their correct place so that the public will not be misinformed on its operation; and our economy will progress.

STATEMENT OF THE LEMMON CHAMBER OF COMMERCE, LEMMON, S. DAK.

Honorable chairman and gentlemen; you, the gentlemen of the U.S. Congress, have been informed of the difficulties of the farmer-rancher and at this time especially of those in the Northern Plains States.

We, the Lemmon Chamber of Commerce, wish to present to you some thoughts of the disastrous side effects of the farmer-rancher problem. The elimination of people from the land; the elimination of business dependent on and of assistance to the farmer-rancher; and the potential financial strait of all people in the rural northern plains agricultural area.

The low parity of farm product prices and subsequently low income of the farmer-rancher compared to the increasing costs of operation has compelled the average farmer-rancher to either expand his operation or dispose of his properties on which he is unable to earn a living income. This is shown through auction sales of farm equipment and personal belongings and the farmer-rancher moving to some other place to attempt to make a living with the result we have fewer and larger farms and less people.

As an example, farm auction sales in the Lemmon, S. Dak., trade area in 1963 and 1964 were as follows:

Penfield Auction Service held 42 farm auction sales in 1963 and 34 farm auction sales in 1964.

Francis Haley held 17 farm auction sales in 1964.

This total of 91 farm auction sales equaled 91 less farm families in the area. The average size of the farm-ranches was increased but the area population was decreased. A farm auction sales bill of such a sale is attached to show what is generally disposed of—a lifetime of savings at a forced liquidation price of a few-cents-on-the-dollar valuation.

The direct effect of this outmigration of farm families is shown in a survey conducted whereby the first 10 farm accounts of an accountant's files were checked as to the expenditures for farm-ranch operation expenses. These expenses totaled \$100,170 or an average of \$10,017 spent by each farmer-rancher.

On this average basis it is shown that the loss to business from the 91 liquidated farms-ranches and eliminated farm-family expenditures in this area total \$911,547. This, plus the unrecorded personal expenditures would be far in excess of a million dollars annually—a loss to the small business of the area which has had a dire effect on the towns of the area of this western North and South Dakota area.

During the past 2 years many business firms have been liquidated and we note these so that you will recognize that many types of services and assistance are removed. These not only effect the local community but show the lessening distribution to these points by industries of other portions of the United States.

These liquidations by auctions and other means are:

Gambles, hardware store; Finsand's Hardware; Davison's, Case Farm Implements; Red Owl, grocery; City Market, grocery, all of Lemmon, S. Dak.

Erz, hardware and implements, Watauga, S. Dak.

Oberlander, farm implements; Sack Service, hardware; Reeder Furniture, all of Reeder, N. Dak.

Co-Operative Grocery, Scranton, N. Dak.

Carsterns-Zempel Hardware, Bowman, N. Dak.

These 11 firms are no longer an economic factor in these communities and have lessened the capabilities of Main Street to be of assistance to the farmer-rancher in his production and to assist him in combating the inequities that the present below-parity farm program places on the area farmer-rancher.

Lemmon, S. Dak., although a city of only 2,500 people, is proud of being a financial center for the area farmer-ranchers. Its banks are highly rated in that only banks in the 11 major cities of South Dakota have greater deposits. These deposits as of January 1, 1965, in Lemmon's two banks, totaled \$13,547,275, but sorry to say, that is only part of the story. If the people of the area had this money unencumbered it would show a prosperous rural economy. What must also be shown are the debts of the area and in this instance, the above-noted banks, with the Northwest South Dakota Production Credit Association and the Federal Land Bank Association of Lemmon, S. Dak., show, as of January 1, 1965, loans totaling \$18,119,000. Too, this does not show loans made by Federal agencies—a financial situation fraught with danger for the individual farmer-rancher.

In summary; the present inequitable farm parity program, with constantly forced reduction in cash income crops acreage, is crushing the economy of the rural area of these Dakotas. It is not only disastrous to the farmer-rancher but to the towns, cities, counties, States and individuals.

We, the Lemmon Chamber of Commerce, request that you, the Congress of the United States, give heed to this situation and evolve a program of farm product price parity in income that will tend to correct the present situation of lessening income and higher costs of farm-ranch product production.

HEREFORD STATE BANK,
Hereford, Tex., April 30, 1965.

Mr. ROBERT STRAIN,
President, Deaf Smith County Farmers Union,
Hereford, Tex.

DEAR MRS. O. G. HILL: Concerning your inquiry regarding the economic status of agriculture in this area, it is our opinion that the farmers are definitely caught in a cost-price squeeze and if the treatment continues, the farm economy is in serious trouble.

Costs of production have continually risen faster than farming practices have been able to increase the yield per acre and the prices which farmers receive for their products have not risen in accordance with the prices they pay for all their supplies and services.

Due to the large capital investment in depreciable machinery and the rising cost of all other items that go into the production of a crop, we feel that approximately \$2 per bushel on wheat and \$2 per hundredweight on milo is a price that we must strive to achieve in order to keep the farm economy from lagging behind other phases of the national economy.

Very truly yours,

J. A. HODGES,
Executive Vice President.

PITMAN GRAIN Co.,
Hereford, Tex., April 30, 1965.

Mrs. O. G. HILL, Sr.,
Hereford, Tex.

DEAR MRS. HILL. We would like to express our appreciation to you for your efforts in behalf of the farm economy and farm programs in this area.

As our direct contact with farmers and farm production has to do with grain only, we will confine our observations to grain programs rather than trying to cover the overall economy of the area, taking in vegetables, sugarbeets, cotton, etc.

It is our conviction that under the current cost-price squeeze the farmers of this area are able to realize profit on grain crops only under the most ideal conditions, and that the gross revenue is not adequate to absorb any adversity caused by weather, insect infestations, etc. We feel that the present wheat program is inadequate and has drastically cut the farmers' income as evidence by the fact

that a number of farmers here were not in position at the end of the year to pay the debts incurred for operating expenses. Under the present program for both wheat and grain sorghum, the low supports with high subsidy payments have worked to the detriment of farmers producing in excess of their base averages, whereas operating costs have made it necessary that they increase production as much as possible in order to make a reasonable profit. We feel that the farm economy was much stronger with price supports at a high percent of parity with acreage controls and that the emphasis needs to be that a farmer gets paid for what he produces rather than being paid on the average with a very small payment for excess production.

The feed grain program has been good to this area because it has increased the farmers' income but as stated above if the price support continues to be lowered with corresponding increases in direct payments, the income will go down for the productive farmer.

After visiting with a number of farmers in this area and lending institutions, we are convinced that any changes in the farm programs as apply to grains must, necessarily, increase the unit prices received in order to maintain a stronger economy.

Sincerely yours,

BERT M. BOOMER.

STATEMENT OF RONALD KOTARA, CARSON COUNTY FARMERS UNION

Due to the increased cost of production, the producers in our county have been in a cost-price squeeze. We need higher income for wheat produced on the American farms.

Mr. PURCELL. Mr. Redlin?

Mr. REDLIN. Mr. Chairman, I would like to request permission to file statements on behalf of Otto Hauf, of Max, N. Dak.; Morris Nelson, president, Amor Farmers Union Local, and Art O. Johnson, on behalf of himself and others.

Mr. PURCELL. Without objection, they will be made a part of the record at this point.

(The statements of Otto Hauf, Morris Nelson, and Art O. Johnson follow:)

STATEMENT OF OTTO HAUF, MAX, N.DAK.

Mr. Chairman and gentlemen of the committee; I am Otto Hauf, a farmer near Max, N. Dak. I appeared before the subcommittee on wheat in 1959, with a farm program. Today more than ever we need better prices for our farmers, especially in a State like mine where the economy depends so much on the income farmers receive.

I would like to recommend the following:

No. 1. Simplify the farm program. Reason: Farmers do not like complicated programs.

No. 2. Combine payment of certificates for domestic and export by providing 115 percent of parity price on certificates. Reason: Simplifies and does not confuse farmer as much.

No. 3. That the amount of bushels for certificates issued each farmer be based on number of bushels consumed domestically per acre times his allotted acres. Reason: This would be more fair to the farmer in the low-producing areas. Costs for living and machinery are just as high for him as one living in high-producing areas.

No. 4. A farmer may overseed his allotment by 50 percent only to be set aside or to store the equal amount of bushels of wheat he has under certificates. Reason: To be used in case of crop failure following year, or hails out, etc. In some areas farmers only get one crop out of three.

No. 5. No farmer could get a loan if cash price is equal to loan value in his area. The Government should only guarantee loan value at all times and make loans only when cash price drops below loan value. This is why we should have a good price support in the first place. Reason: Too much wheat is turned over to the Government under present program which could have been sold for equal value without Government expense of handling, storage, etc., and then

dumping the wheat on the market anyway. Loans in existence would be redeemed any time cash markets would pay up loan.

The Government is only to make loans when cash is below loan value, and not to have farmers gamble for higher prices at Government expense. Not near as much wheat would be turned over to CCC and the Secretary of Agriculture would not have to dump grain on market or be blamed for it.

These suggestions, I believe, will help the farmer and save the Government money. I thank you.

STATEMENT OF MORRIS NELSON, PRESIDENT, AMOR FARMERS UNION LOCAL

Honorable members of the House Agricultural Committee, we, the members of the Amor Farmers Union Local, meeting Saturday evening May 1, 1965, submit the following statement:

We, as farmers, need a farm program based on 100 percent of parity for wheat and all other farm commodities, with our costs going up and prices going down. We are going broke. We have committed all our assets, as collateral to credit agencies, used up our depreciation in order to keep operating.

We supported President Johnson last November, because he promised us full American citizenship instead of 75 percent of an American citizen or less.

When farmers are 8 percent of the U.S. population and we receive only 3 percent of the national income, there is something wrong.

We favor bushel allotment, instead of acreage allotment, at 100 percent of parity on total allotment, with the farmer storing his loan wheat on the farm at his own expense.

With 20 percent of the families in the United States with deficient diets and 50 percent of the world population going to bed hungry every night, if we would put as much thought and energy into putting income into the hands of hungry people, as we do into entering outer space, we would go a long way toward eliminating hunger and promoting world peace. Food has won every war and food will win world peace. Then the farmers of this country would be hard pressed to produce enough food.

We are also opposed to the lease or sale of wheat acreage, as only the corporate type operator could afford to buy or lease the acreage.

We are in favor of a cost price escalator clause for all farm commodities in the farm bill, so that farm prices will rise or fall as cost of production goes up or down.

SUGGESTIONS ON FARM LEGISLATION BY ART O. JOHNSON, PRESIDENT, WARD COUNTY FARMERS UNION, WENDELL HOUGEN, AND ERNEST NELSON, RYDER, N. DAK.

Recognizing that the farm family income has been dropping for many years and has reached the point where too many of these farm families are facing a serious financial future, we believe that the time has arrived to take a good hard look at our present farm program with the idea of seeking to improve and continue to improve these programs.

We would offer these recommendations:

Steps should be taken immediately to make the program more simple to operate both from the administrative and the farm operators use.

It will continue to be necessary to offer farmers 100 percent of parity for all wheat and feed grains consumed on the domestic market and it is of utmost importance that this 100-percent rate be established now.

The use of a certificate form of program (if such program can be sold to the city consumer as something other than a bread tax) seems to be workable and has many advantages at the present time.

Believing that the conservation of our land is a necessary long-range program, we feel that any program of soil conservation or land retirement should prohibit the taking of whole farms, but should rather be made a part of each farm operation and should be paid for on a ration of income realized before such land would be retired.

We believe that in order for the entire farm program to be successful, it must accomplish two things: First, the control of production; and second, operate at the least possible cost to the Federal Government.

We believe that the difference between compliance and noncompliance in the program must be made great enough so that the farm operator's logical conclusion will have to be to follow the program.

Mr. PURCELL. Are there any others?

Mr. ARTHUR A. LINK, Alexander, N. Dak. Mr. Chairman, I would like to file some resolutions which were passed by the North Dakota State Legislature and duly signed and filed there.

Mr. PURCELL. Without objection, they may be made a part of the record at this point.

(The resolutions follow:)

RESOLUTION SUBMITTED BY ARTHUR A. LINK, STATE REPRESENTATIVE, SPEAKER OF THE HOUSE, 39TH LEGISLATIVE ASSEMBLY, STATE OF NORTH DAKOTA

HOUSE CONCURRENT RESOLUTION B-2

A concurrent resolution requesting the Secretary of Agriculture and the U.S. Congress to take all possible steps to secure restoration of funds cut from soil conservation and agricultural stabilization and conservation budgets

Whereas the Congress of the United States has for nearly 30 years followed a policy of making soil conservation service technical assistance available without charge to private landowners; and

Whereas the availability of such technical assistance has been of great value in the restoration and conservation of our natural resources; and

Whereas conservation work in the field of tree planting and water impoundments has been of particularly great benefit; and

Whereas much work remains to be done in the field of soil and water conservation; and

Whereas the Federal Bureau of the Budget has recommended sharp reductions in funds for technical assistance and cost-sharing aid in the conservation field: now, therefore, be it

Resolved by the House of Representatives of the State of North Dakota, the Senate concurring therein: That the Secretary of Agriculture and the Congress of the United States are hereby respectfully urged to take all possible steps to secure the restoration of funds cut from soil conservation and agricultural stabilization and conservation budgets, in order that conservation work, particularly in the areas of tree planting and water impoundment and similar-type projects, may continue at not less than their past level; and be it further

Resolved, That copies of this resolution be forwarded to the U.S. Secretary of Agriculture and to each member of the North Dakota congressional delegation.

Filed March 9, 1965.

HOUSE CONCURRENT RESOLUTION D

A concurrent resolution requesting the Congress and the national administration of the United States to take all possible steps to improve the economic position of the agricultural producer

Whereas 35 percent of the Nation's population resides in community trade centers of 5,000, or on farms surrounding such trade centers, and the stability and solvency of this vast segment of our population is contingent on a healthy agricultural economy; and

Whereas agricultural prosperity depends not only on efficient production but also on adequate markets and proper balance of supply and demand; and

Whereas the farm sector of the economy is the only sector that has suffered a decline in net income measured against the base period of 1947-49, primarily due to increased production costs and declining farm prices; and

Whereas while only 18 percent of the average American family budget is required for food, the lowest of any nation on earth, the farmer receives only one-third of this after processing and distribution costs are considered; and

Whereas this adverse economic situation is creating a migration from rural communities to urban centers where unemployment, welfare, and other problems are already rampant; and

Whereas it is the creditable objective of the national administration to assure economic opportunities for everyone, increase employment, and maintain a vigorous economy through courageous action on numerous economic fronts, and to use every weapon available to increase security and promote peace: Now, therefore be it

Resolved by the House of Representatives of the State of North Dakota, the Senate concurring therein: That the Congress and the national administra-

tion adopt a system of price supports and production controls for agricultural commodities now covered by price supports that will assure adequate income for farmers and assure solvency for all of rural America; and by so doing, avoid the necessity in the future for solving new social and economic problems related to highly congested urban areas; be it further

Resolved, That the Congress and national administration develop bold, imaginative plans to utilize the productive capacity of rural America more effectively in combating communism, hunger, and disease around the world, and continue to seek new markets for agricultural products now in surplus: be it further

Resolved, That Public Law 480 be administered and developed to its maximum effectiveness; be it further

Resolved, That copies of this resolution be forwarded to the President and Vice President of the United States, the Secretary of Agriculture, the chairman of the U.S. House and Senate Agricultural Commission, and each member of the North Dakota congressional delegation.

Filed March 3, 1965.

SENATE RESOLUTION 2

A resolution urging consideration and study of the problems facing the farmers of North Dakota and the United States

Whereas agriculture is the basic industry of the State of North Dakota and recognized as the most important segment of its economy; and

Whereas the members of the senate of the 39th Legislative Assembly of the State of North Dakota are deeply concerned with the plight of agriculture in our State as it affects the farmers and general public, and note with alarm the increasing rate of farm mortgages and mortgage foreclosures, and regretfully admit that the various farm programs put into effect in the United States have, as yet, failed to provide a solution, or approach the farmer's hopes and dreams of farm prosperity based upon promises of parity of income; and

Whereas the seriousness of the farm situation has become so very apparent to the general public in recent months because of the unrest and violence which took place in the Midwest and which resulted from the unstable conditions of the farm economy, and which may be only a small preview of future actions if the chronic conditions of the farm economy are further ignored; and

Whereas agriculture is basic and necessary to a sound State and National economy and deserves the attention and unanimous support of the members of the Senate of the 39th Legislative Assembly of the State of North Dakota, and it is recognized that in this highly technical and mechanized age the individual farmer finds himself in a minority group by virtue of his willingness and determination to produce according to his dictates and personal initiative; and

Whereas the farmer of today is the assurance of freedom from want tomorrow: Now, therefore, be it

Resolved by the Senate of the State of North Dakota: That our National Government be reminded of its responsibility for providing reasonable economic stability for farm products comparable to the cost the farmer must pay for goods and services he is compelled to purchase ;and be it further

Resolved, That the National and State levels of government direct their attention and research facilities toward programs concerning wheat, feed grain, loan rates, the placing on the market of Government-owned wheat so as not to endanger the market price of wheat, the importation of beef, wheat, barley, and sugar, and the production of sugar so as to give the American sugar producer the opportunity to make use of his available resources and facilities; and be it further

Resolved, That any available monetary resources on the State and National levels of government be utilized to the maximum extent for agricultural research, to the end that improved crop varieties and new uses for crops will be developed and the inadequacies of the farm economy will be improved; and be it further

Resolved, That the secretary of state be directed to forward copies of this resolution to the President of the United States, Secretary of State, Secretary of Agriculture, chairman of the U.S. Senate and House Committees on Agriculture, the chairman and leadership of both political parties, and each member of the North Dakota congressional delegation.

Filed February 16, 1965 .

Mr. PURCELL. Ladies and gentlemen. Let me say, as we did to start with, that we welcome you here.

The fact that those of you here who are from different political faiths and different farm organizations who have come to Washington is very significant of the realization that we must get ourselves together in some way and present a program that will be understood and acceptable.

So, I congratulate you on your effort to strive for reasonable cooperation.

I think your behavior this morning is a good example of the fact that we can all disagree without being disagreeable, and if we just do that we, perhaps, can get somewhere. We do not always disagree; and we do not need to be disagreeable. I congratulate you on that.

Would you like to say something at this time, Mr. Redlin?

Mr. REDLIN. I want the record to show that I express my personal appreciation to Chairman Purcell and to Mr. Poage for permitting this subcommittee to hold an extraordinary session after we had closed the hearings of the subcommittee.

I want to express my appreciation to you folks from North Dakota who have come here to impress upon all of the Nation the importance of building a better farm program.

One last word: I appreciate the sentiments of the members of this committee from both sides of the aisle.

I thank you very much.

Mr. PURCELL. Thank you very much, folks.

Mr. Foley.

Mr. FOLEY. I would like to make a remark to each of you on this committee: We each represent, of course, a particular locality of the United States. We have concern about the farming. We, also, have particular concern about our own States and localities.

I want to assure the people from North Dakota that I have heard a great deal about the problems of North Dakota this morning. You are very ably represented in Congress by Mr. Redlin, who is one of the most knowledgeable members of this committee. In the many areas in which we deal, he has been helpful to me in providing me with his comments and judgments on these matters. I, also, tell you that he is constantly talking about North Dakota. I have learned a great deal about it.

Mr. PURCELL. Do you have any comments?

Mr. HARVEY of Indiana. Mr. Chairman, I have just received a telegram from the Evans Milling Co., Inc., of Indianapolis, Ind., and I ask permission that it be included in the record at this point.

Mr. PURCELL. Without objection, it will be inserted into the record at this point.

(The telegram referred to follows:)

INDIANAPOLIS, IND., May 3, 1965.

HON. RALPH HARVEY,
House Office Building, Washington, D.C.:

The Evans Milling Co., Inc., is a dry corn mill located at Indianapolis, Ind. We process corn for a variety of food and industrial uses.

We wish to register our opposition to section 104 of H.R. 7097 as it proposes to exclude nonfood uses of wheat from the requirements of the certificate program.

In many industrial processes wheat flour and corn flour can be used interchangeably. These products are sold on a basis of price and the removal of industrial wheat flour from the certificate program, will in effect, subsidize wheat flour for industrial use.

Because of the price advantage created by this subsidation, industrial wheat flour would be able to replace corn flour and result in hardship not only to the corn processing industries but also to the corn farmer.

EVANS MILLING Co., INC.,
R. B. EVANS, Jr., *Treasurer*.

Mr. PURCELL. Do you wish to be heard?

Mr. ED SMITH (president, North Dakota Farmers Union). Mr. Chairman, there are a few other people I think who may have not requested filing statements. Will it be possible to have those statements filed, by those who wish to do it. They did not know the procedure.

Mr. PURCELL. Any one who has a statement now ready to be filed, will be given permission to file it.

(The prepared statements of Alvin Anderson, E. W. Smith, John Rouzie, and Donald Giffey including an attachment are as follows:)

OFFICIAL STATEMENT OF NORTH DAKOTA FARMERS UNION

AGRICULTURAL POLICY

My name is Alvin Anderson, an operating farmer of Epping, N. Dak.

I operate a farm of 880 acres, small grain, main crop is spring wheat.

I am vice president of the North Dakota Farmers Union, an organization of 40,000 farm families, so on behalf of this organization I make the following statement. This is the official position of the North Dakota Farmers Union as reflected in the action of the last State convention, November 1964.

The keystone of a free progressive democratic national society, as well as of a strong rural America, is the owner-operated family farm. Each of the policies and programs of our international, Federal, State, and local governmental bodies should contribute to the maximum extent possible, and none should detract from this goal. A "family farm" is an economically adequate agricultural production unit using land and other capital investment operated by one farm operator and his family who provide the management, take the economic risk, and do most of the work required to operate the unit.

National agricultural policy should be adopted providing for an annual determination by the Department of Agriculture setting forth the desirable national production goals for the major commodities and indicating the price levels needed to assure parity income to farmers and for the agricultural industry to make its maximum contribution to the gross national product and to national economic growth.

This policy should seek to assure to the Nation the continued benefits of the great productivity of the family farm system of agriculture with proper safeguards to insure supplies of food for welfare and international economic assistance policies and adequate national reserves.

Enabling legislation to allow producers of all agricultural commodities to develop and adopt a comprehensive system of nationwide commodity income improvement and supply stabilization programs that will operate at little net cost to the Government.

To insure supply management, producers of different commodities will need to use a workable combination of marketing quotas, agreements and orders, enforceable acreage allotments, price-supporting loans, and purchases.

The individual marketing quota should be assigned to farm families and not to specific land areas and provide a minimum base and then graduated cuts from historic base so that smaller producers will be required to absorb lesser percentage cuts than larger producers.

Quotas should be in terms of commodity units—bushels and pounds.

Whenever, for any reason, a commodity with a supply control program, sells in the market for less than the 100 percent of parity, the amount by which the market price is lower than the parity should be made up by a Federal farm income deficiency payment of some kind. Farm income deficiency payments should be made to operating farmers, and with respect only to production up to the maximum sales of an economically adequate family farm.

All laws and all private policies should promote adequate family farming and eliminate the practice of industrial-type agricultural production. Among other actions, we urge the following:

Special emphasis should be given to farmownership loans to enable young farm families and tenants to begin farming as owner-operators of fully adequate family farms, including funds needed to join and invest in cooperatives, and to enable operators of small farms to develop adequate family units. In order to accomplish this and meet the increasing needs of other family farm operators. Farmers Home Administration should have adequate loan funds for real estate, housing, operating, educational, soil and water and emergency credit, and to transform the agency into an across-the-board yardstick loan institution. This action is needed to fully supplement credit made available on conventional terms through Federal land banks, Production Credit Association, and other sources.

The enactment by Congress of a National Family Farm Act which would provide that individual family farmers living on and operating commercial farm units should be encouraged in the national interest. Such an act would prevent the expansion of poverty and maintain a growing and prosperous population in rural America. This act should include the following:

Limits on total benefits which could accrue to any one farmowner or operator from price supports, income deficiency payments, ACP, and other such Government payments.

Quotas, when required to maintain an adequate price for a product, would be graduated in such manner that the smaller operator would be assured of a minimum below which no further cuts would be made.

Programs designed to divert land from production should be consolidated. Every family farmer should be allowed full compliance with all agricultural programs through a diversion of no more than 50 percent of his tillable acres. We oppose programs for retirement of whole farm units from production.

Federal lands to be leased or sold for agricultural production should be made only to family farm operators, these sales or leasing to be made only at such time that agricultural production is not in surplus.

Special loan program to help in the establishment of family farmers on economic units, patterned after the REA loans—2 percent interest—deferred principal payments for at least the first 3 years, with sound management supervision to assist the farmer.

Enactment by the Congress of specific designation of commercial wheat producers for basis of eligibility for voting in all future wheat referendums. All such marketing referendums should require a simple majority for passage.

Amendment by Congress to the 1962 Wheat Act to include all feed grains. The price on wheat for a loan under this program should be set at \$1.60 per bushels and the feed value equivalent price established for all feed grains. Certificates should be provided for wheat and feed grains which would then reflect 100 percent parity to the producer.

Actions by the Congress which would change the present policy relative to the supply of wheat necessary for adequate reserves and direct the Secretary of Agriculture to declare an official policy for national reserves of wheat and other food and feed grains, including definite amount, kinds, qualities, location, and ages of stock to be maintained.

The Department of Agriculture should always utilize as effectively as possible the farmer's own storage, cooperative grain elevators, and terminal system in the storage and handling of the Nation's resources of grain.

The administration should direct the Bureau of the Budget to allocate the cost to the proper branches of Government such as the national defense, health, education, and welfare, foreign policy, for the various types of food utilization and disposal now being charged directly to farm programs.

Action by Congress to provide direct income deficiency payments to domestic producers of livestock products where prices are reduced because of increased imports either from limited restrictions on imports or from the lowering of tariffs which are a part of our international trade policy.

To eliminate much of the inequities of the present quotas, the Secretary of Agriculture should direct the ASCS to establish quotas on the basis of productivity of specific land areas and equalized at the country, rather than on individual farm units based on proven yields.

As long as acreage controls are in effect on a specific crop, farmers should be allowed to certify their acreages resulting in considerable savings in terms of administrative costs of farm programs. County committees should be authorized to spot check to insure compliance. We support the program now available to farmers by the county ASCS to premeasure land areas for controlled crops.

STATEMENT OF E. W. SMITH, PRESIDENT, NORTH DAKOTA FARMERS UNION

The low level of prices for food and fiber produced on North Dakota farms is creating an economic crisis for the entire State. Economic well-being of agriculture is of great importance to the overall economy of the State since 75 to 90 percent of the new wealth comes from farm sources. In 1964, agriculture accounted for 75 percent of the new wealth produced in North Dakota. Wheat production alone accounted for 22 percent of all new wealth. In 1964 cash receipts from farming totaled \$647,245,00. This was a drop of \$95,283,000 from 1963. The decline of \$95 million in cash receipts is in itself a significant figure. It almost equals the total State expenditures from the general fund during the 1963-65 biennium.

Lower prices in 1964 for North Dakota's major farm commodities (wheat, flax, barley, livestock, and livestock products) caused cash receipts to drop to 81 percent of the 1963 level in spite of production increases in most commodities.

The sizable drop in cash receipts resulted in: (1) a 36 percent decrease in net income per farm; (2) a sharp reduction in farm family spending for personal consumption; and (3) a reduction in expenditures for farm supplies and machinery. These factors have caused a serious slowdown in the entire economy of our State.

The economy of the Great Plains region will continue to decline unless farm income improves. We urge the Congress and/or the administrative agencies involved to act immediately to strengthen programs that directly benefit farm price and income.

1. Increased cash receipts from farming through—

(a) Higher certificate value or price supports for wheat and feed grain in 1965.

(b) Administrative decision to keep to a minimum the sales of CCC wheat and feed grains for unrestricted use during the 1965 marketing year so as to create upward pressures on market prices.

(c) Administrative action to increase export of wheat, feed grains, and livestock and livestock products.

(d) Immediate action for a long-range, balanced, all-commodity farm program of equal benefit to the economic interests of all family farmers.

2. Improvement of farmer's ability to manage his farm effectively and economically by:

(a) Accelerated Soil Conservation Service "small watershed" developments with adequate funds for planning, technical services, and construction of works of improvement. Public policy in this area should be broad enough to fully include public interests in wildlife, recreation, and scenic resources.

(b) Adequate technical services to all Soil Conservation Districts at no cost to farmers and ranchers.

(c) ACP practices which divert cropland to alternate uses on an annual or longer term basis should be given higher priority with full costs paid by the public. Land rental arrangements should be considered where the major benefits are of a public nature.

3. We recommend a limit on total Government payments to any one farmer.

4. Adequate farm credit should be made available to beginning farmers and farmers who want to convert from production of crops that are in over supply to crops with a more attractive future market potential.

5. Farm and related rural economy should be strengthened by:

(a) Earliest possible completion of Garrison diversion project in North Dakota.

(b) Adequate REA funds for continued development of distribution co-operatives and the development of large lignite burning generation plants.

(c) Removing artificial barriers to domestic and export markets. To this end we support the efforts to obtain an investigation of freight rates by the ICC as expressed in House Concurrent Resolution J passed by North Dakota's 39th legislative assembly.

(d) Increased rural economic development that will provide satisfactory job opportunities in rural areas thus ending the forced out-migration of young people from North Dakota and other Great Plains States.

THE FIRST NATIONAL BANK,
Bowman, N. Dak., April 30, 1965.

AGRICULTURAL SUBCOMMITTEE,
U.S. House of Representatives,
Washington, D.C.

GENTLEMEN: Conflicts have made it impossible for me to accompany the North Dakota rural community lobby which will appear before this committee or members of this committee.

I am a smalltown banker and farmer. Our bank has deposits of about \$6 million. We have been in existence since 1907 in the same community in southwestern North Dakota. Our chief income is from the production of wheat and cattle.

While it is impossible for farm organizations and individuals to agree on a definite remedy in solving agricultural income, there are certain facts that I think must be recognized.

(1) The average wheat farmer and cattle producer in the United States has not made any money for the last 2 years.

(2) The only possible way that he stayed in business is through an increase in borrowing. This can be borne out by checking the figures of the Federal land bank, production credit association, commercial banks, Farm Home Administration and other credit agencies. Never in history have we reached such an appalling figure of farm debt. This debt has now risen to the point where future credit will be much harder to obtain and will mean the liquidation of a great many farmers. The farm debt has now reached, I believe, about \$2.86 per dollar of farmer earning power. Many farmers are broke but have not realized it due to the competition from loaning agencies.

The boom in the United States has actually been detrimental to the farmer, yet the farmer is a great purchaser of heavy equipment, trucks, and autos. Each time industry raised wages and hence raises the price of the things they produce that the farmer buys, the farmer's cost of production rises. It is self-evident that with these production cost rises and lower prices for what the farmer produces and sells that he cannot long remain in business. It is further evident that in what we might term a completely subsidized economy in one form or another that it is impossible for the wheat farmer to go it alone at this time.

While we have recognized the parity figure at somewhere around \$2, this has greatly lagged behind the actual cost of production.

In our particular locality our farms are large, perhaps a minimum of 1,000 acres to 1,500 acres of land per farm. We have long recognized that the farmer has been constantly liquidated, and there will be further liquidation. However, at the accelerated rate of debt and auction sales on the farm today, it is a certainty that the hamlets in North Dakota will be dried up and that a great many people now employed in these places along with a great portion of our farmers will be added to the ranks of the unemployed unless some remedy is immediately forthcoming.

As I stated previously no one has the exact remedy—but (1) American consumed wheat or domestic consumed wheat should be at no less than \$2.50 a bushel.

(2) Our export market must be stimulated. The policies we have followed has put us behind Canada and other exporting nations.

(3) The Commodity Credit Corporation should not be able to dispose of wheat and other held grains at the low figure of 105 percent.

Surely food can be used as a weapon of peace and a weapon of friendship rather than American dollars through all the underfed nations of the world, at not any greater cost than many of the things we have already done. Many of these things are temporary measures.

I believe these measures of keeping the farmer on the farm are well worthwhile, as there will be a need for agricultural production in the future. What we are actually doing is attempting to fill in a gap until such time this consumption catches up with our full producing abilities.

Sincerely,

JOHN ROUZIE, *Chairman of the Board.*

HOUSE OF REPRESENTATIVES,
39TH LEGISLATIVE ASSEMBLY,
Bismarck, N. Dak.

CHAIRMAN PURCELL AND MEMBERS OF THE SUBCOMMITTEE:

I have in my briefcase my own personal Commodity Credit wheat loan papers for the crop years of 1962, 1963, and 1964. These loan papers show that I received \$2.39 per bushel for farm stored Durum wheat in 1962; I received \$2.04 per bushel in 1963 and \$1.38 plus certificate payments for 1964. The "blend" price for the 1964 crop loan price, plus certificates, amounted to \$1.80 per bushel. This shows a significant drop in the price received by me in the past 3 crop years.

DONALD GIFFEY, *Representative.*

STATEMENT OF GORDON HACANSON, SECRETARY, GARRISON, N. DAK.

On April 26, 1965, the board of directors of the McLean County Farm Bureau and McLean County Farmers Union held a joint meeting for the purpose of coordinating their ideas on farm policy and proposed farm legislation. This meeting was also held for the purpose of two farm organizations making joint recommendations to U.S. Congressmen.

The McLean Agricultural Stabilization and Conservation County Committee was also present for the purpose of answering any questions about present farm programs and to give any information that they may have on proposed farm legislation.

Edwin Schmidt, Max, N. Dak., a member of the board of directors of the McLean County Farm Bureau, was elected chairman of the meeting, and Gordon Hacanson, Ryder, N. Dak., a member of the board of directors of the McLean County Farmers Union, was elected secretary of the meeting.

The joint recommendations made are as follows:

1. Parity of 100 percent on home-consumed wheat be mandatory.
2. A payment of 25 cents a bushel be made for export certificates.
3. Not more than 25 percent of the tillable acreage of a farm may be retired in a voluntary land retirement program.
4. Sale of Commodity Credit Corporation wheat may not be made at less than 120 percent of the loan rate.
5. Parity of 100 percent on all feed grains.
6. Sale of wheat allotments should not be permitted.
7. Substitute crops should not be seeded on diverted acres.
8. Allotments should be dropped on all land purchased by Federal and State Governments for wildlife and recreational purposes.

All recommendations listed above were agreed upon unanimously by the members of both organizations that were at the meeting.

Mr. PURCELL. Thank you, again, very much for being here.

We hope that we can work out something that all of you will like and which will be agreeable to you.

(Whereupon, at 11:50 a.m., the hearing was concluded.)

RELEASE PRICE—CCC STOCKS

MONDAY, APRIL 26, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FEED GRAINS
AND THE SUBCOMMITTEE ON WHEAT OF
THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittees met at 10:10 a.m., pursuant to notice, in room 1310, Longworth House Office Building, Hon. Graham Purcell (chairman of the Subcommittee on Wheat) presiding.

Present: Representatives Purcell, Poage, Stubblefield, Olson, Foley, Redlin, Bandstra, Callan, Belcher, Quie, Latta, Harvey of Indiana, and Dole.

Also present: Jane C. Wojcik, staff; Hyde H. Murray, assistant clerk; John J. Heimbürger, general counsel; Robert C. Bruce, assistant counsel; and Francis LeMay, consultant.

Mr. PURCELL (presiding). The subcommittees will come to order.

We have on the witness list the Honorable Mark Andrews of North Dakota. We are glad that you are here, and we will hear from you now.

STATEMENT OF HON. MARK ANDREWS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA

Mr. ANDREWS. Mr. Chairman and members of the committee, it is a pleasure to be with you today.

My friend, Mr. Poage, from Texas, might be accusing me of filibustering the House Agricultural Committee because perhaps I am here more than usual. I am here more as a farmer than as a Congressman. Certainly I have been a farmer a whale of a lot longer than I have been a Member of Congress.

I would just like to make three of four points on the raising of the release price of Commodity Credit Corporation stocks.

I think it is so very important not only to the farmers of the country but also to the entire grain industry. And, also, I think it ties in with our efforts to get increased foreign markets for our grain production.

I have introduced a separate piece of legislation, as you no doubt know, with a number of my colleagues to increase the release price to 125 percent. Certainly I feel that 105 percent is too low. Actually, if you were to increase just one-half way to 115 percent from the standpoint of the farmer, this would increase the price of his wheat by 10 cents a bushel. This is \$100 million, which is a whale of a lot of money for the wheat farmers of America. It is money they badly need.

I think any responsible economist can tell you that the farmers of America today are in a cost-price squeeze, and I think it will be of benefit to the farmer to receive an additional \$100 million; certainly it will be of benefit to the marketing industry in this Nation and, also, to those of us who feel that we ought to make more use of our wheat; selling it to people who are hungry in nations that do not have the abundant supply of food that we do.

Under the present operation of the Commodity Credit Corporation the Secretary has turned out to be an out-and-out competitor with the farmer. And he is a rather ruthless competitor at times.

I mentioned before the difficulty that marketing organizations have, such groups as Cargill and GTA, for example who normally would be merchandizing agents to sell our grain overseas but are handicapped at this because of the fact that the Commodity Credit Corporation can come up behind them and undercut them and they are not able to compete successfully with other nations in moving out our wheat into cash markets abroad. We have seen this time and again.

I think certainly that this would allow the trade actually to carry more stocks in their own inventory and to keep it moving toward the place where it needs to be used.

And fourthly, I think that under the more sensible release price of 125 percent of the loan we would find that the price could go up as well as go down from the pegged price and free markets would operate.

The farmer is in a number of tough situations, but perhaps one of the toughest situations is that it seems that his price can always go down, but never can quite go up in a year of a short crop when you have as we are facing up in the plains now late seeding and possibly a 50-, 60-percent crop, rather than a full crop. And it would be very nice in the face of that shortage if we could get a little bit more per bushel. And under the present method of handling Commodity Credit Corporation stocks it is almost impossible for the price on the market to flex up in times of shortage.

I just wanted to submit these facts to you for your deliberation and know that your decision will be a just one in representing the farmers. And in representing a big wheat-growing area, I certainly hope that you will recognize the need for changing this release price on Commodity Credit Corporation stocks and bring it upward hopefully to 125 percent, certainly to 115 percent.

Thank you very much for giving me this time.

Mr. PURCELL. We appreciate your being here very much. We know that you do represent one of the big wheat-growing areas of the country and that you are knowledgeable in this situation and very much interested in the farmer's welfare.

I have a few questions that I should like to ask you but I will not go into those right now.

Mr. POAGE. As to the workings of this, it intrigues me more than many of these plans for raising the farmers' income. It is very attractive. That is, if we can do this without destroying something else.

I think that you can do this for 1 year—it seems to me that you can do it for 1 year and make it work, but what about the second year—why would anybody cooperate with the program if you are going to have a release price far above the support price; and, therefore, have

a free market above the support price—why would anybody cooperate with the program?

Mr. ANDREWS. Under the present program, Mr. Poage, I would imagine that would be a very valid comment to make, however, hopefully I would hope that this committee in its wisdom will recommend a bill perhaps somewhat approximating the one that I have introduced or somewhat approximating the one that the President has recommended, wherein we will come to full parity or 100 percent of parity for wheat produced for domestic consumption, and market price for wheat that will go into the export market.

I think with this value of the certificate at \$1.25 or thereabouts, that there will be very little desire to stay out of the program. The program would be a good one. The farmer will want to participate in it.

I think that what we want to do is to insulate the Commodity Credit Corporation stocks so that they cannot be used by the Secretary to deliberately drive the price down or that they cannot be used by the Secretary in competition with private industry or cooperative industry which would like to more aggressively market.

Mr. POAGE. Then I take it that you do not come up here taking much stock in this "bread tax" talk that we have been hearing about?

Mr. ANDREWS. I think that the bread tax argument is one of the most phony arguments I have ever heard. I think that you and I have visited with this many times. And I have been quoted rather directly as saying that.

Mr. POAGE. I agree with you, but I think that we should make it clear—

Mr. ANDREWS. Mr. Poage, I think that the American farmer is subsidizing the American consumer rather than otherwise. And rather than listening to a lot of this big city journalistic talk about the city people subsidizing the farmer, I think it is the other way around, and I think that we can prove this, because the cost of food to the American consumer is lower proportionally than that to any consumer anywhere in the world. The American individual who makes American wages can afford to pay full parity for the food that he consumes. I have always felt this. I have disagreed, I know, with some of my colleagues on this, but I think that it is basic that if parity has any validity at all, certainly 100 percent of parity is what farmers should get for what they produce for the American market, but the farmer does not intend nor does he expect to get a fancy price for wheat that goes into Government storage, nor does he want to see his wheat outpriced so that he cannot market it to people who are hungry in the world. The farmer would like to see his product used and used effectively, Mr. Poage.

Mr. POAGE. I think that you are making good, sound statements, but I wish that you would analyze this a little further. I think that there may be a great deal of merit in what you are saying, that we can forget the demagogery about the "bread tax." It only becomes a bugaboo when the farmer is going to get the benefit of the so-called "bread tax." Never has anything ever been said by any of the these people who are complaining about it now—never have they ever raised their voices about the increase in the price of the bread until it looked like the farmer might get something out of it and then it becomes a "bread tax" and only then. I am fed up with that sort of stuff. I know that you are not for that philosophy.

I do think, however, that we should give careful consideration to the question of whether or not we are going to have the Government buying all of the wheat and all of our cooperator's wheat going into Government storage and then having the market supplied with so-called free wheat from noncooperators.

Mr. ANDREWS. I think that the best thinking that I have been able to get on the subject is that if we could raise this release price, and in effect freeze the present stocks of the Commodity Credit Corporation as a strategic reserve, so to speak, it would help. We talk about the bread tax. And you and I agree on this bread tax proposition.

Mr. POAGE. We do.

Mr. ANDREWS. It has not hurt the farmer yet, because it was used last year as a weapon against the wheat bill which passed. The thing that has been hurting the farmer is the ruthless action of the present Secretary of Agriculture in driving the price for the farmer's grain down through selling out of the Commodity Credit Corporation stocks at 105 percent of the loan. This is the thing that has been hurting the farmer. The Secretary himself before this committee, I understand, said that he deliberately used this method to drive the price of the farmer's grain down.

Now, the bread tax business could hurt the farmer by injuring his public relations. An it will hurt the farmer. But during the last year this release price has definitely economically hurt the farmers of America. And in representing the farmers I think we should be interested in it. Otherwise we have stopped representing them. And I am interested to know and very pleased to know that virtually every farm organization agrees with me on this situation. I think it is time that we recognize that it is very unfair competition to the American farmer to have the Secretary of Agriculture in a position where he can break the farmer's market and this I think we want to stop.

Mr. POAGE. On that point, Mr. Andrews, do you find fault with what the Secretary did?

Mr. ANDREWS. You bet.

Mr. POAGE. You do?

Mr. ANDREWS. I think that he was dumping wheat on the market during the harvest season in North Dakota and that by action of that dumping he lowered the price to our farmers about 20 cents a bushel this fall.

Mr. POAGE. I think that is correct. But now isn't it also true that at the time the bill was passed last year that there was a definite understanding that he would provide the mills with the wheat?

Mr. ANDREWS. This is very true.

Mr. POAGE. And that the only way to do it was to sell that wheat and he did it at that time. There was no other way that it could have been done.

Mr. ANDREWS. Certainly if he had not sold it out of his Commodity Credit Corporation stocks the price would have risen 15 to 20 percent and the mills would have gotten plenty of it from the farmers and the farmers would have had the benefit of the additional price.

Mr. POAGE. I know that. But in order to get the bill passed, you know, there had to be a commitment made that he would continue to sell—

Mr. ANDREWS. That is right.

Mr. POAGE. And you were in favor of the bill?

Mr. ANDREWS. I was in favor of the bill and I am in favor of providing——

Mr. POAGE. You knew that that is what was done—that was one of the commitments at the time the bill was passed, did you not?

Mr. ANDREWS. Mr. Poage, it is news to me if there was a commitment made that the Secretary of Agriculture could break the wheat market. There may have been a commitment.

Mr. POAGE. Of course, Mr. Andrews, there was never any such words put into it, but you know that was the understanding—this committee was a part of the understanding that wheat would be provided during his transition period.

Mr. ANDREWS. Absolutely, that wheat would be provided and the thing that I object to is not the providing of the wheat, but the breaking of the price through selling that wheat at a price far too low. And I think that this release price increase could take care of the objection we had to making the wheat available.

Mr. POAGE. I think that when you raise the certificate value that you do a great many of those things that you mention, but only if you raise that certificate value. If you leave the certificate value down and then put the release price on the wheat higher, would it not completely destroy your program?

Mr. ANDREWS. If you lowered the certificate value?

Mr. POAGE. If you let the certificate value stay right where it is——

Mr. ANDREWS. Well, you may have some individuals staying out of the program. I would prefer to see a higher certificate value for the domestic wheat, as you well know.

I think that even if we have the same certificate value that this provision which would keep the Secretary from driving down the price in competition with the farmer is still extremely important and still very necessary and I would hope that it would pass. I would agree with you that the farmers would be more inclined to stay in the program if the certificate value is increased with this provision. This is not true. But whether the certificate value is increased or not, looking at what has happened to the price of grain in the last year with the Secretary handling the Commodity Credit Corporation stocks as he has, I think that almost all American agriculture is unitedly behind the plea that we raise the release price.

Mr. QUIE. Will you yield?

Mr. POAGE. I will yield.

Mr. PURCELL. Mr. Quie.

Mr. QUIE. I would like to pursue this further. I do not understand one part of Mr. Poage's questions that if we increase the wheat price that the noncomplier would benefit and the complier would not benefit. As I look at it, both the noncomplier and the complier would benefit alike under any increase in the market price. So that now if the complier gets for the domestic wheat portion a direct payment of 75 cents a bushel, he does not get it on top of the loan value. He gets it on top of whatever he can sell wheat on the market. The complier would, perhaps, get the loan during the market season, but if the Secretary were prohibited from selling for less than, say 120 or 125 percent of the loan level the market would rise immediately after the harvest, and the producer who got a loan on his wheat could redeem this and sell it on

the market. Therefore, both complier and noncomplier would get the market price; the complier would get 75 cents on top of the market price; and, therefore, the proposal is as much of a benefit to him with the release price increase as it is to the noncomplier. And so I do not see how this is harming the program at all, and causing the farmers not to comply with the formula. The same way on feed grains. The argument that he used would be even stronger under feed grains if you say that the lower the direct payment the less likelihood the farmers would comply, but there, again, on feed grains the farmer would get his direct payment, no matter what the market price was. So if you stimulate the market price it will help all farmers' incomes. This is the point in these farm programs. The Secretary of Agriculture should be in the business of doing everything to help the farmer get a better price in the market.

Mr. POAGE. Will you yield?

Mr. QUIE. Yes.

Mr. POAGE. It seems to me that what we are talking about here is the direct payment on grain—and is that direct payment enough to make the man comply, because if he can get almost as much as the loan or more than the loan by staying out, then there is no reason for him going into the program, except for the amount of the payment or the certificate for the wheat.

Mr. QUIE. The total payment.

Mr. POAGE. The payment is the only thing that causes him to go in, and as it stands now he can get a better market price for his grain, he can get a better market price for his grain than the man who stays out—and the man who stays out cannot expect to get more than the loan price or 105 percent of the loan value later on; and, therefore, he never gets more than the 105 percent, that is, the man who is outside. Now, if he gets just under 125 percent is he not apt to stay out of the program and forego the payment, forego the 125 percent on the feed grain and the 75 cents on the wheat?

What I wanted Mr. Andrews to talk about is the practicality of the figure at which a man will stay out or will go in, because I know that there is some figure at which he will stay out.

Mr. QUIE. What has happened here is that the frame of thinking of the people on the committee and in the Department of Agriculture has not changed to realize the complete changes that were made in the program. At one time the 105 percent formula was used as an inducement to secure a price at the level of the loan which should be enough to have him comply with the program. This was at a time when price supports were high. But now that the loan level is so low, this is not an inducement. In fact, I would wager that most farmers would think that they could get in the market right now much more than the loan, although you and I may not think that they could, but most farmers think so. They probably would be better off if they redeemed their loans, since the market price is above the loan now. The real enthusiasm seems to be for the farmers who comply, and I find this in talking to the farmers in my district—and they raise mostly feed grains—is not that they are going to get the loans but the fact that here is a direct payment of so much per bushel that they will get, and then they have some land they can idle and they use that to increase fertility and receive a diversion payment. This is quite an inducement for them

to participate in the program, of course, in feed grains. For that reason they look at it a little bit differently than at just the loan.

I think that our whole frame of thinking has to change with the change in agricultural legislation that we have and with the use of direct payments I think that the only way that the farmer is going to be given the kind of protection he should have is to get a difference between the loan level and the resale level, to let the market function, because it is the only thing that is sensitive enough to adequately determine the right price.

Mr. POAGE. Will you yield again, Mr. Quie?

Mr. QUIE. Yes.

Mr. POAGE. Would you think that it might be wise to increase the direct payment on the feed grains or to lower it to a lower level?

Mr. QUIE. I do not think that the loan is too high now. What I would like to see is something to give the Secretary latitude to set the direct payments at a level that he thinks is necessary to bring about compliance and to only make the direct payment on 50 percent of the base production. If direct payments are made on 50 percent of his base production, then on the other he can decide whether he wants to comply for the full amount or to produce on that, so that the direct payment would not be used as a penalty against the farmer who wants to comply more fully. What level is necessary in the direct payments to induce the farmers to come into the program. I think we will have to find out from experience in the program. The Department has been operating it long enough for that to be determined. The Secretary lowered the loan by a nickel and increased the direct payments. This year evidently, he feels that it is necessary to do that to get compliance. Evidently, he does not feel that there should be any great increase above that. However, if we reduce the acres on which he could make payments he would have to permit an increase in the direct payment to offset that.

Mr. OLSON. Will you yield?

Mr. QUIE. Yes.

Mr. OLSON. Is it your contention that the price of wheat will go up in the marketplace?

Mr. QUIE. It depends on how much it will be at 125 percent. I do not know that it will go that high. But I expect the market price will go up to 120 percent of the loan of \$1.25 per bushel.

Mr. OLSON. Then your statement is that you assume that if the market price went up to that point the farmers would all receive \$1.47 or \$1.48, the national average, and \$1.25 in the certificate in addition; is that right?

Mr. QUIE. Yes.

Mr. OLSON. I am not so sure that this committee is going to pass out wheat legislation that will bring that about. Right now you are saying that you are supporting a fixed certificate at \$1.25.

Mr. QUIE. No; I am not.

Mr. OLSON. Then, of course, this differs somewhat from the presentation you just made.

Mr. QUIE. The question was not whether payments were made at the present level, or whether they went higher than that. I maintain that it would not matter, and that both the complier and the non-complier would get the benefit of the increase in the wheat resale formula.

Mr. OLSON. Then your contention is that a 75-cent certificate for the domestic and 35 cents for export wheat might be right; that is close to the equivalent of \$1.25, the value of the certificate for the domestic portion that we are talking about in the proposed program.

Mr. QUIE. To make it clear to you, my position on the direct payments on wheat is that I object to the consumer paying the tax, the excise tax—I do not know what else to call it—and I believe that the dollar-and-a-quarter direct payment is all right with me. And they say that people who earn less than \$3,000 a year are poverty people and they would be paying double the tax for this Department program than the people who earn over \$10,000 a year.

Mr. OLSON. I think that what we have to face is that for all practical purposes, raising the support rate offered by the Commodity Credit Corporation through resale policy to almost \$1.60 a bushel, calls for a very honest discussion so we will all understand. We should not be looking for arguments that do not exist. I agree that it should be done, but I think that we should make it clear that this policy does increase the support price and that as a result compliance may be reduced and that the cost of the Government program through the acquisition of wheat by the Commodity Credit Corporation could be reduced. This is the choice that we and the Department have and we must justify in relation to the total program.

It is my contention that this will not be injurious to the program, and that we have a good chance in wheat to do what should be done. Therefore, I take the position of not going to 110—I think that we should go to 120 percent—that is my position right now, although I do not think that we have the same situation in feed grains.

Mr. QUIE. You could increase the scope of your thinking here and include feed grains. It would give the farmers an opportunity to work for an increase in their net income.

Mr. OLSON. If you will yield to me once more.

Mr. QUIE. So that they would have an opportunity to share in the increased market price.

Mr. OLSON. May I point out that feed grains are one of the two most important commodities in my district as well as in your district. And to be perfectly clear, my position is that we are looking at how both programs can work and whether it is beneficial to have these programs. I think it is. I do not think that we can take undue risk which could destroy that program and cause the whole thing not to work.

Mr. QUIE. I agree with you. My general impression is that if we did feel that a certificate of \$1.25 was necessary that it would permit the farmer to earn \$2.70 and I would go along with that if the farmer can get it in the market. I do not care what it is.

Mr. POAGE. Then you do not see anything wrong with it? I think that any time that agriculture attempts to get more than a parity price from the consumer, that we lose what I think is the desirable position of being able to point out that we have never robbed the consumer; but the day we get \$3 a bushell for wheat from the consumer, that day we are overcharging that consumer. And I think that it means subsidizing the farmer. That is like some of the folks think who want to undo the wrongs that have been done in connection with civil rights over a number of years. They want to penalize the people who

are not responsible for those wrongs. They want to penalize the wrong people. You want to make your legislation ex post facto.

The fact that certain consumers have been getting their foods for less than they ought to be paying is no reason why you should go about increasing the price and putting your hands around the consumers' throats and overcharging the consumer now. The day that you are charging him more than parity I think that you are just as wrong as they were when farmers were getting less than parity.

Mr. QUIE. As long as he is getting it in the marketplace.

Mr. POAGE. He is not getting it in the marketplace when you do that. He is getting it by governmental action and nothing else.

You say the price in the marketplace. He is not getting it in the marketplace. Nobody can suggest a way to bring a price for wheat of \$3 without governmental action. Do you know of any way that can be done?

Mr. QUIE. I said if it could be done.

Mr. POAGE. You know that it cannot be done. We are talking about practicalities here.

Mr. QUIE. If it was necessary for compliance with the program to pay \$1.25 to the farmer out of the general revenues and then the market price went up so that he would end up getting \$2.70, I do not see that there is anything wrong with that. I do not see that we should take that away from them. However, if you are to continue the present programs where the consumer pays that tax of \$1.25 in addition to what is being paid on the market price for the wheat, then I think that the consumer is paying more than he should.

Mr. POAGE. You are still seeking to make the consumer pay more than parity for his food. As long as you say that the consumer should not have to pay any more than parity, we are not robbing the consumer. We are dealing fairly with the consumer, but I think the same thing works the other way. We ought not to deal unfairly with the consumer, either.

Mr. PURCELL. I suggest that we do have a rather expensive witness before us.

Mr. ANDREWS. When you balance my wages against the accumulative wages of my colleagues behind the rostrum, it amounts to little. I am glad to sit here and learn, myself.

Mr. PURCELL. May I ask one or two questions?

My basic question, Mr. Andrews, is right along the same line that Mr. Poage was asking about.

Do you have any thoughts that you care to share with us in regard to the resale price—assuming that the resale price was raised to about 120 percent or whatever your view may be, based on past history or any thinking that you might have as to how much participation there would be on the part of the farmers from your area?

Mr. ANDREWS. Mr. Chairman, I think that the farmers appreciate the need for farm programs. I think that the farmers think that if a farm program is fair and it is not unnecessarily complicated, they will participate in it. I think there are a lot of statements as to how there will be a wholesale flight from farm programs which would not be borne out if these programs are fair and if they are administered fairly. I think that your concern and my concern is, perhaps, that if we get this so that it is actually a benefit to stay outside, obviously

a lot of people are going to stay outside and we are going to have uncontrolled production, but I do not think that this will happen.

I do not have, as I am sure the committee does not have, anything that I can really tie to when I make this statement, but in my experience as a farmer—and in my experience knowing a number of farmers in my area, I do not think that this would happen. I think that we have talked a lot about the importance of raising this price by, obviously, about an average of 10 cents a bushel to all of the farmers and this would mean \$100 million that they badly need, that is, the wheat farmers of America on this crop alone.

I think maybe we ought to think more importantly about the impact that this decision would have on freeing up the companies and groups in America who would like to be able to aggressively market our wheat abroad.

Now, GTA is a well-thought-of and aggressive marketing cooperative in our area. They have said flatly that if it had not been for the interference of the Commodity Credit Corporation stocks being sold at fire sale prices and the monkeying around that we could have sold many more bushels of wheat to Russia a year ago; that we lost an opportunity for wheat sales. GTA, Cargill and other exporters of our wheat have made the statement that the release price practices of the Secretary of Agriculture have made it difficult if not impossible for them to seek more sales with Japan.

I think these are things that we ought to be considering and following their advice and raising the resale price of Commodity Credit Corporation grains, because we need this for two reasons:

First of all, a place to put our wheat; and, secondly, even more important, it takes care of the unfavorable balance of payments we have got and we can get some gold for that wheat. And I think that is a good trade.

Mr. PURCELL. I am not arguing with you. But I do take some issue with the statement made by these people who say that the Commodity Credit Corporation prices of wheat have kept them out of the foreign markets. What I am really trying to get at is this: How much of this \$100 million do you see actually going to the producers of the wheat as against those people engaged in the trade who deal in wheat?

Mr. ANDREWS. I think that virtually all of it would go to the producers of the wheat. This is why I am in favor of raising it.

Mr. PURCELL. What is the practice up in your part of the country on the part of the farmers under the loan setup—when do they actually sell their wheat?

Mr. ANDREWS. Many farmers have storage facilities so that they keep their wheat on the farm and will sell it in early spring just before the spring breakup when the roads thaw and it becomes impossible. Other farmers will take a look at the market and use their judgment. Say that the price of wheat is pretty good right here at harvesttime and they will sell then.

I think this is one of the great benefits of the farm program to rural America; through the opportunity of obtaining loans on grain in the fall farmers have been able to market over the entire year.

Back in the thirties, when they had to dump it all on the market at harvesttime, the average price through the year might be 90 or 100 percent of parity, but at harvesttime it was 25 percent of parity and

the farmer got it in the neck when he sold his wheat. So that they are marketing all of the year around now. And they are going to be on the market at the time that they think that the cash market price is best. Sometimes they are going to guess right and sometimes they are going to guess wrong.

Mr. PURCELL. I take it from your statement—and I think that Mr. Quie would agree with what I think the statement is—that the effect of raising this to 120 or 125 percent release price would be to lock up the present inventory of the Commodity Credit Corporation.

Am I stating your thought correctly?

Mr. ANDREWS. Certainly unless and until the value of the wheat in the market would get up to 120 or 125 percent of the loan. I do not think any of you would argue on that.

Mr. PURCELL. Looking at it from the legislator's standpoint as we all must consider it, not only what we can do for the farmer but what we can get around here, do you think that in itself has any serious drawback to our passing something like that?

Mr. ANDREWS. No, sir; I do not. This is part of the same stockpile that not so many years ago was locked up at a price of \$1.84 and \$1.85 at loan plus carrying charges. That was the value then. We have artificially lowered the value of that stockpile through the last wheat bill and now want to put it back up again.

Mr. PURCELL. We have lowered the number of bushels that we have on hand. I am not sure that it is low enough yet to justify locking it up again. That was my thought at this time.

Mr. ANDREWS. I would hope that it would not be locked up. I would hope that the price would rise to such a point that there would be sales made out of the stockpile, but I would hope that those sales would not be made in the quantity that they have been made in the last 6 months.

Mr. PURCELL. Well, now, on one hand we seem to be all interested in competing on the world market with wheat.

Mr. ANDREWS. That is right.

Mr. PURCELL. As I understand it, this is cheaper than we now have it.

Mr. ANDREWS. That is right.

Mr. PURCELL. On the other hand, we say that the Secretary is ruining Cargill and these other outfits by dumping wheat.

Mr. ANDREWS. Well, Mr. Chairman, may I make myself crystal clear on that? In my conversations with these men they say that they do not object to getting the wheat at a lower price, because the lower price they can get the wheat for, the more aggressively they can market it in foreign trade, but to be competitive, the American trader, the one who wants to go out and get 500,000 or 1 million bushels of wheat, and get it in a uniform lot and put it on the east or the west coast, and go out and say, "Look, we have this wheat and it is for sale"—his problem is that he can get this wheat to the east or the west coast and send his salesmen abroad and start making a deal, but overnight the Secretary of Agriculture can come in behind him and offer wheat at 10 cents a bushel or 15 cents a bushel or even 3 cents a bushel less than this wheat that he has paid to move to the east or to the west coast in a position for shipment. This type of competition—this type of not knowing what the Secretary is going to do with the Com-

modity Credit Corporation stockpile, precludes the American exporter from doing what he feels needs to be done if he is going to aggressively market our wheat. He does not object to the price. He objects to the fact that he cannot sell from day to day with a type of competition that is going to come up and hit him in the back. And this is his objection. And this is what he says is a sort of Damocles sword over the normal marketing of our grain in export.

Mr. PURCELL. Do you know of any factual evidence that is available to us to use that this has actually happened other than during the transition period of going into the certificate plan?

Mr. ANDREWS. Mr. Chairman, I cannot give you direct statements from individuals in the trade. This is a matter of judgment. No one, obviously, can say that they lost this deal because thus and so happened, not any more than those who till the soil can say, We got a poor crop this year because we planted too deep, or too shallow. It is a matter of judgment. They have told me that in the trade. And I would be glad to get statements from them if it would benefit the committee but I am sure that the same men have talked to you on this subject as they have to me. I think it is a valid argument. I think it is one that makes sense.

Obviously, you cannot be half fish and half fowl in this business. If we are going to give our American companies the go-ahead to aggressively merchandise American grain we cannot at the same time have the Secretary able to undercut when they are in the midst of making a deal. And this is about as it has been presented to me. And I present it to the committee for your consideration.

Mr. PURCELL. Do you have any questions, Mr. Heimburger?

Mr. HEIMBURGER. I would like to carry this discussion a little further, Mr. Andrews, because I still do not understand it.

I have heard this statement made by exporters and by others, that the low release price of the Commodity Credit Corporation grains for general resale purposes has adversely affected their export merchandising and frankly, I do not understand that in spite of your explanation. I do not understand it for two reasons: Assume that you raise the resale price to 120 or 125 percent, does not this merely raise the area of uncertainty from 105 to 125 percent? What difference will this make?

Mr. ANDREWS. These men have told me that if it is raised and the Secretary of Agriculture cannot undercut—if it's raised to the point where the release price of the Commodity Credit Corporation stocks is above what the market price is, the exporter can put together an amount of American wheat, knowing that he cannot be undercut at the last moment by the Secretary changing the signals on him.

Mr. HEIMBURGER. Then at 105 percent of the support price, the Secretary's release price would be below the market?

Mr. ANDREWS. This is right.

Mr. HEIMBURGER. Is this your objection?

Mr. ANDREWS. This is right.

Mr. HEIMBURGER. That still leaves me a little confused, however, because section 407 of the Agricultural Act of 1949, which is the controlling statute here, provides that grain or any commodity for export is exempt from the resale price stipulation.

Mr. ANDREWS. Well, this will have to be changed, obviously, so that the Secretary of Agriculture cannot get around it.

Mr. HEIMBURGER. This is a very basic thing. It is basic to the disposal abroad of a good many of our commodities, and I have not heard any suggestion made that this should be changed.

Mr. PURCELL. I cannot hear you.

Mr. HEIMBURGER. I was merely pointing out that even though the resale price for general domestic use might be increased to 125 percent the law still provides that for export purposes the Secretary need pay no attention to this resale price stipulation. This has been in the law for a great many years. And I have not heard any suggestion made that this should be changed.

Mr. ANDREWS. In other words, I think this is a very important point—I am glad you brought it out—I think that these people have all assumed that this would take care of the problem. You mean that the Secretary can now sell wheat—

Mr. HEIMBURGER. For export, at any price.

Mr. ANDREWS. At any price he wants to.

Mr. HEIMBURGER. At any price that he sees fit. That is right.

Mr. ANDREWS. To any nation and that he does not have to be under Public Law 480?

Mr. HEIMBURGER. It does not involve anything except section 407 of the act of 1949. This is why I am puzzled about this thing. I have heard from exporters, as you have heard, but does not make much sense to me.

Mr. ANDREWS. It is my opinion that the exporters are hoping that the 120-percent release price will be the 120-percent release price of all wheat other than Public Law 480 wheat undoubtedly.

Mr. HEIMBURGER. That may be so, but I have never heard them make any comments with respect to the Secretary's existing authority to sell below the release price for export purposes.

Mr. PURCELL. I have one more question. If the example that you gave a moment ago actually happened, and the trader had wheat available at a price, and then assume that the Secretary made the decision that is was lower than he had bought his for, what would prevent another trader from buying that wheat and we of the United States getting the benefit of selling the wheat?

Mr. ANDREWS. We would, Mr. Chairman, but the initial exporter who moved that wheat to the coast and has his money tied up in transportation and storage and all of the rest of it would suffer a loss of considerable proportions and would be considerably less likely to want to get into the export business or to continue in the export business.

Mr. PURCELL. Have you heard this given as any reason for the loss of sales? What I am trying to put together here is this: Have there been any sales made that you know of under these circumstances? The complaint has been that we are not selling enough—whether that has been our complaint?

Mr. ANDREWS. The statements that have been made to me when I visited with these people is their saying when we ask why they are not selling more of our wheat, they say, "We would like to sell, but—" This is a normal merchandising pattern to stockpile the goods where the consumer can see them or knows you have got them, and that they are precluded from doing this. The statements that you have heard from the exporters are the same that I have heard. Their hands are tied, so to speak, and they are not able to aggressively market our wheat

because of the Commodity Credit Corporation resale price. I am no expert in grain exports. The people that I have talked to in this field I feel are. It has been their contention that raising this resale price would help them aggressively export our wheat abroad and I am sure, Mr. Chairman, these men would be very happy to testify before you. I am sure that they could give you the detailed information that I certainly cannot.

Mr. PURCELL. All right. I hope that they will. My understanding has been, Mr. Andrews, that the reason that they could not sell wheat was that our price was too high on the world market. And if we raise the price I do not see how we are going to sell more wheat than we have been selling. I think that there are such things involved as shipping in American bottoms, et cetera.

Mr. CALLAN. About this 125-percent rate, what would you estimate that the price of wheat would be if we raised it up to 125 percent of the loan?

Mr. ANDREWS. The market price of wheat would be approximately 12 to 13 percent higher than it has been without this provision.

Mr. CALLAN. Can you give us a figure per bushel?

Mr. ANDREWS. In my State of North Dakota which would be different from your State of Nebraska—that is why I said 12 cents overall—that would be the difference—in my State I would imagine that the price would be about \$1.50 or \$1.55.

Mr. CALLAN. \$1.50?

Mr. ANDREWS. Yes.

Mr. CALLAN. And if you have a 30-bushel yield per acre, this would be a gross per acre of about \$25.

Mr. ANDREWS. If you had 30-bushel yields, yes.

Mr. CALLAN. With the figure of \$1.25 certificate, based on a 30-bushel-per-acre yield and your payments, what would you estimate that the gross per acre would be, based on 30-bushel yield per acre?

Mr. ANDREWS. If he stayed in the program he would get \$1.25 in a certificate. And on one-half of that, assuming his actual normal yield was 30 bushels, the committee would set his normal yield probably at about 20 bushels, he would get \$1.25 certificate on 45 percent of that making about another \$10, a gross of about \$55 an acre.

Mr. CALLAN. Where do you think that the gross would have to be to have him come into it?

Mr. ANDREWS. That depends entirely on the farmer, the cost of his land and his location. Some farmers with a gross of \$30 an acre are doing all right. Many farmers have to have a gross of \$60 to \$65 an acre. It depends on the value of the land, the location, and the taxes—and all of the rest of it.

Mr. CALLAN. If you get this \$10 an acre gross would that be enough to keep people in compliance—that they would rather have that than plant their whole acreage to wheat—considering the cost of machinery and that they would gross that many more dollars by staying in the program? That is what bothers me about the 125-percent loan rate. You might not get compliance and then we are in trouble. Is this not true?

Mr. ANDREWS. This is partially true, Mr. Callan. I am sure that you do not want to hurt your program with this. I do not like to talk about gross income in agriculture. I think this is a fallacy. I read

awhile ago that somebody said that the farmers are doing fine because there were about a million of them who had gross incomes of \$9,000 or more. This might sound real good, but their net income may be only \$500. The farmer will look at it when he is using his pencil and figuring out the certificate versus the sales price what the net income will be, because that is what educates his children and provides for his family and all of the other things that he has to do. And if his gross is \$60 an acre he may have \$5 per acre loss, and if he has a gross of \$30 per acre, he may have a profit of \$5 per acre. It depends on the farmer, the location, and the taxes and all of the rest of it.

Mr. CALLAN. I agree with you that you would have to get the gross up before you can get the net out. Is this not true?

Mr. ANDREWS. It certainly helps.

Mr. CALLAN. You have the investment in machinery and you have taxation and so forth, which are fixed items. And by raising your gross you could usually increase your net, is that not right?

Mr. ANDREWS. This is true, but I think what has to be raised is the net income of the farmer. The farmer's gross income is pretty good. I could get along wonderfully well on my gross income, but I have a tough time on the farm getting along on my net income.

Mr. CALLAN. I realize that. I believe there are limits. If you have to get compliance you will have to look at what the farmer will gross per acre, because his overall operation is in terms of net, is that not right?

Mr. ANDREWS. That is true, but I think that he needs more for his wheat, and I think that he will get it with this type of provision.

Mr. PURCELL. If there are no further questions, Mr. Andrews, we thank you very much.

Let me say, Mr. Andrews, that I know of your attitude to do whatever you honestly can for the farmers. I do not know of anyone in Congress who has been more aggressive for the farmer's welfare. We appreciate your taking your time to present your views to us here today.

Mr. ANDREWS. Thank you, Mr. Chairman. I hope I have shed a little bit of light on this. I am sorry that I am not an expert on this export question. I do hope that some of the trade leaders who have talked to me will take the opportunity to visit with you so that the definite facts of this relationship between release price and export opportunity can be put on the record for your consideration.

Mr. PURCELL. I hope so. If you have time now, come up and sit with us.

Mr. ANDREWS. I am sorry that I have to go to another committee.

Mr. PURCELL. We will call on our next witness, Mr. Harry Graham, of the National Grange.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE ASSISTANT, NATIONAL GRANGE, WASHINGTON, D.C.

Mr. GRAHAM. Mr. Chairman and members of the committee, I feel about as comfortable in the light of some of this conversation as I did when I testified over before the Senate Finance Committee and yet I feel that we have an obligation as far as we can to be honest and objective in what we desire and what we are asking the Congress

to do. Therefore, I am going to read this statement and I would like after that to comment a little on this export trade situation. I am not an expert, but I think I know a little of what is going on in this field right now.

It was inevitable, in the inexorable march of human events, that the inadequacies and shortcomings of the farm policy which was based on a depression, salvaged by a war from its own contradictions, and nourished in a postwar prosperity, would break down under the weight of its own inner contradictions. This came to pass at the beginning of this decade when the economic and political pressures caused by the deadweight of 1,400 million bushels of wheat and 85 million tons of feed grains depressed the market, sent Government storage and holding costs skyrocketing, and caused abuse and scorn to be heaped upon the programs by friend and foe alike.

The options which were available to alleviate this situation were not numerous or easy. President Eisenhower remarked that the cheapest way of disposing of the surplus was to dump it in the ocean, but that was unconscionable in a hungry world. Since there was no effective way of isolating domestic and international markets from the depressing effects of these stores, then the only alternative was to reduce them in order to stabilize and improve prices and cut Government costs. There was no painless way to do this. Sacrifices were required by farmers, taxpayers—yes, and even warehousemen.

It fell to the lot of the 87th Congress, in which most of the members of this committee served with such great distinction, to develop an emergency program for feed grains. The National Grange, working in close cooperation with the commodity groups representing this great industry, proposed the fundamentals of the legislation which became the feed grains program. The Congress, in its wisdom, further defined and delineated the program, adopted it, saw it signed into law by the President, and administered, we believe, wisely and well in the best interests of agriculture and the general welfare, by the Department of Agriculture.

In terms of producer participation, it certainly has proved to be the most popular program that has been devised. It has met the major objectives of the legislation by maintaining farm income at the highest possible level under the circumstances, and reducing Government stocks and costs at the same time. Without this reduction in Government stocks, the savings that have been made on storage costs would not have been available for payments to farmers to stabilize farm income.

The 87th Congress also passed a wheat bill, which gave to wheat producers the choice between a certificate program, with a reasonable level of farm income, combined with marketing quotas and the other historical choice of no controls and supports at 50 percent of parity for those who would comply with acreage allotments. Those who opposed this progressive attack on the problems of agriculture were able successfully to defeat this proposal in the referendum of 1963.

Again, Congress showed the stature and statesmanship which we expect, and usually see exhibited by our elective representatives, by passing new legislation needed to prevent a disastrous collapse of the whole wheat production and marketing system. The 50 percent of parity level and the 105 percent release price, approved by referendum,

were retained. This program has been acceptable to the farmers, it has more participation this year than last year, it has helped to reduce Government stocks, it has improved our trade relationships with the rest of the world, it has offered freedom of choice between participation and nonparticipation, it has not increased costs to the consumer, but it was short on farm income, and it presented some problems in terms of international trade.

Now, we have before this committee and before the Congress proposals for the most comprehensive farm legislation since 1938, especially if cotton, sugar and dairy legislation is attached to the present proposals. These programs would clear up some administrative problems, they would improve the income of the producers, they would strengthen our international trading position, they would continue to reduce the cost of Government programs, and they would strengthen and protect the family-size farm.

The Grange does not propose to this committee that this is a perfect "legislative package," even with the addition of the commodities which were not covered in the original legislation. Farm income remains distressingly low, but it seems to be about as good as it can be in the light of the domestic and international marketing situation, and in the context of the budgetary requirements for the fiscal year with which this legislation deals.

It is no secret, however, that the direction of these programs has not been pleasing to those who are determined to oppose any kind of a program. The executive secretary of one farm organization stated prior to the submission of this program to the Congress, according to a dispatch out of Chicago that "We don't know what kind of a program is going to be proposed, but we will have a strong statement against it." It is also no secret that the programs to reduce Government costs by reducing the Government storage, has met the strenuous opposition of those whose primary business is in the storage of grain. This opposition has come from warehousemen and, unfortunately, from some farmer-owned cooperatives, who mistakenly believed that the acquisition programs would never be abandoned and, consequently, gambled some of their money in the expansion of their storage facilities and lost on the gamble when Government stocks were reduced.

The opposition to these programs is largely under two headings—the increase in the cost of bread grain to the ultimate user for food purposes, and the release price for Commodity Credit Corporation stocks. In both of these issues, it is difficult for the public, and probably for the Congress also, to differentiate between the fact and the fiction. The testimony of the National Grange is today an attempt to do precisely this in regard to the release price of CCC stocks.

In the proposals to increase the release price level for Commodity Credit Corporation stocks, it naturally is not stated that this would be a way of reversing the trend toward emptying the bins and storage elevators that have been used for storage purposes in the past. The Commodity Credit Corporation owns bins with a capacity of about 965 million bushels, and these are at present about 50 percent full. However, there is no great complaint from this source. The fact that commercial warehouses on December 31, 1964, were operating at only 36.37 percent of capacity, and on March 31, 1965, at 31 percent of capacity, cannot be disregarded as a reason for a change in our

basic agricultural law, which would slow down, stop, and probably reverse the trend toward the reduction of Government stocks and, consequently, elevator space utilization.

Practically all of our society is aware of our surplus agricultural commodities; very little of it is aware of the surplus in storage facilities. The inevitable conflict results from the fact that the development and execution of programs to relieve either problem will automatically increase the problems of the other. It may, indeed, be necessary to develop programs to alleviate the problem which is being faced by the warehouse companies, both privately and cooperatively owned. This, however, should be honestly labeled as a program to do just that, and should not be disguised as a part of a farm program.

The general attack on the release price level is on the assumption that if the release price was raised, the income of farmers would go up in proportion. Let's take a look at that assumption.

In the case of feed grains, the price has been at the loan rate or under, at the time of harvesting for many years. This is the time when the farmer who sells his corn for cash usually has to sell. The exception is the farmer with sufficient capital to hold the corn, not only in terms of the invested value of the corn, but also capital in terms of the delay in payment for the fixed and variable expenses of the farming operations. The only other group which would benefit from this would be the so-called grain trade, because this would obviously allow for a greater fluctuation in the market price. Instead of a 5- to 7-cent fluctuation at present, it would be about a 25-cent fluctuation.

Under the present budgetary circumstances, and this statement should not be taken as National Grange approval of the attacks on the Director of the Budget—incidentally, we do not feel that the resignation of the Director of the Budget to go to another job is necessarily in the best interests of agriculture—Mr. Gordon has in many instances served the cause of agriculture—we have been advised by the Department that the only way to cover the increased costs of this program, which would come from increased holdings in storage, would be to take it from the loan level. It is precisely at this level that the smaller farmer and family farmer are most helped by the present program, where a decline in the loan values would be felt most quickly, and where the results would be the most serious. Even at this level, the net effect would not be to increase the net income of most of the farmers.

Indeed, since there are a great many farmers who are consumers of feed grains as well as producers, and these feeders are just as much farmers as are the producers, the increased instability of the market, which would result, would seriously threaten the balance that has been developed between the costs of feed and the market prices, and would be seriously affected. We have been a long time in getting the desirable 14 to 1 corn-hog ratio reestablished, and it is just being accomplished at the present time. We have gone through the throes of a great adjustment concerning beef feeding, and are beginning to get some stability in that important segment of the economy. The prime requisites for a successful feeding operation, which are an abundant supply at a reasonable and stable cost, would, therefore, be seriously jeopardized. Since the present stability has been attained with great difficulty and at considerable cost to the producer and taxpayer alike, the National

Grange would not look with favor on any action that would destroy this, which did not offer more positive guarantees of improvement of farm income than the proposed questionable assumptions are able to provide.

At the same time, there are great areas of the United States where agriculture is based almost entirely on a feeding operation to transform the surplus feed produced in the Midwest into milk and dairy products, chickens and poultry products, and other feeding programs, which would be in serious jeopardy. The increase in the resale levels would bring increasing hardship to the dairy-producing areas of the Northeast, and to the poultry- and egg-producing areas of the South and Southeast. To further jeopardize these two primary agricultural businesses, already in serious trouble, even if it did add a comparable income to the producers of feed grains, seems to be waging a kind of economic aggression that has no justification or place in the American economic system; certainly, it has no place as a result of governmental action to create and intensify these situations.

Furthermore, it is only because of the high participation in the feed-grain program that we have been able to reduce feed-grain stocks from 85 to 55, or 56 million tons. What this proposal would do is to put an umbrella over the noncomplier at a high enough level that participation in the program would no longer be desirable or necessary, unless greatly expanded payments for acreage diversion were also a part of the picture. Whether this is intentional or unintentional, it is an effective way of wrecking the programs. We will leave it to the Congress to make its judgment as to the reasons behind the suggestions.

Here, it should be pointed out that for many years the market price has stayed below the loan level, and there was little opportunity for sales on the part of the grain trade. The margin available to them then was about 2 percent, which would give them a margin of 3 or 4 cents. At the present time, the margin possible has increased to about 10 cents per bushel, but for some strange reason, as the opportunity for earnings goes up and the margins increased, the demand for yet further increases is heard in the marketplace. This is by way of stating that the grain trade simply is not being further restricted by the present program, but, in reality, there is some increase in their freedom to buy and sell and opportunities to earn in the process.

There has been in more private conversations during the past few weeks suggestions that the resale level on corn remain at the present 105 percent, but that the increase in the resale level be applied to wheat. We would point out that the wheat- and feed-grain legislation, which has been on the books and which is being proposed as an extension of the present law in this legislation which is before you, was arrived at after lengthy consultations between the wheat- and feed-grain producing organizations. The relative equality of value of free wheat and the wheat that is not eligible for either domestic or export certificates, and the value of feed grains, are pretty well equal.

If the request for the increase to be applied to wheat was granted, then this equality would be destroyed, making it impossible to attain the necessary adjustments in production which can be accomplished by the use of a substitution clause. This action would, therefore, preclude the use of a substitution clause, which, in our judgment, is very much desirable.

We would also point out that in the case of international trade, if we were to start the loan level at \$1.35 and add carrying charges of 1½ cents per month for a maximum of 18 cents at the end of the marketing year, we would have a value of \$1.53 in terms of Government investments. Incidentally, that is what we are doing; 105 percent of this would, therefore, be \$1.60 per bushel. This is just about the price level for exports at the present time, and well within the International Wheat Agreement price level. It is a level that other exporting countries have shown a perfect willingness to use as a sales price for their offerings on the international market.

If the 125-percent feature was adopted, the release price in June would be \$1.91. In fact, 125 percent of \$1.35 per bushel would mean that even at the beginning of the year in July, the release price would be \$1.68 plus, which simply means that at no time during the year would it be possible for CCC stocks to be released into international trade. The amazing thing about this is that some of the people who talk so loudly about free international trade would support a program which would absolutely prohibit the use of any Government stocks in international trade. This means that no private trader could purchase from CCC stocks at any time during the year and sell at a profit. Indeed, when 25 cents is added to the on-farm price for handling and delivering to dockside, we still are at or above the international prices, and this is the reason that even at the present time, there is relatively little export during the final months of the year. In fact, there has been no CCC stocks moving into our international trade, nor even into our domestic trade, for some time now.

I want to point out as I go by this that under the law which we have at the present time where the cost of handling and storage must be added month by month to the loan value that the only time that we can move wheat into the international trade is in the early months of the year. That is the only time it can be done. And even now at the present situation we are out of business in terms of international trade so this would simply increase the problem at that point. And I would also add that the Government does not sell into international trade. We have no State trading as such except under Public Law 480 programs and much of this is handled by the private trade. The Government sells to the private trader. The Secretary never sells into international trade and it would, I think, be greatly to the interest of the committee when the Department testifies to find out exactly how this operates in this transfer of title from the Commodity Credit Corporation to the private trader and then to the foreign importers because it is not the kind of a transaction which I have been hearing discussed.

This whole argument might be likened to the proverbial dog chasing his tail, because if the supply is greater than the demand, it is relatively unimportant, so far as the farmer is concerned, where the resale price is placed because it will not add to his income. The only time that it can be done is when the supply is less than demand, or requirements, which is also the only time when these Government stocks can be reduced. A situation, therefore, which would permit some increase in farm income as a result of the adoption of the higher release prices can result only from the effective working of the programs which we have to reduce supply. If we, in turn, adopt programs which make it

impossible to reduce supply, or to damage the existing programs which are succeeding in doing this, then we only put off into perpetuity the time when we can have some competitive influences returning to the market.

It is, therefore, the position of the National Grange that farm income can be maintained at its present level only by the continuation of the present program to reduce Government stocks and bring them into some relationship with the demands of the market and the requirements of our relief programs. There does, however, in our judgment, seem to be one acceptable alternative to this proposal, and that is the isolating of these commodities from the market in the quantity that is necessary for strategic reserves of food. We would, therefore, urge this committee to seriously consider the adoption of a program to establish a national food reserve in the interest of the general welfare, and especially as an integral part of our total concept of emergency and defense planning. If a 1-year supply for our domestic and present export markets was to be set aside as a reserve which could not be moved onto the market, except under certain specified circumstances as the Congress might desire and design, then the marketable supplies, which are currently being held by the Commodity Credit Corporation, would be so much reduced that the depressing effect and influences of these surplus commodities on the markets would also be substantially reduced.

A wise and judicious surplus disposal program at that time would have the possible effect of further increasing income.

It should, however, be pointed out that the concept of increasing the market price substantially while, at the same time, we are using the domestic wheat certificates, would necessitate the adjustment in the value of the certificates so they would not be permitted to exceed by any substantial amount 100 percent of parity. It is extremely important that we give our consumer groups the assurance that they are not going to be asked to pay through a certificate program an amount sufficient to bring the domestically consumed wheat, which is used for human food purposes, up to 100 percent of parity and, at the same time, pursue policies to substantially increase the price of this wheat in the marketplace, which would bring this total above the parity level.

In summary, then, we would say to the committee that in our considered judgment, and this is based on the study of the economic facts involved, the increasing of the release price would serve no useful purpose to the producers of agricultural commodities. On the contrary, it would imperil our present programs to reduce Government stocks and Government holdings, it would seriously interfere with our international trade, it would not increase net farm income, it would add greater burdens to those who feed as well as produce agricultural commodities, it would interject a factor of instability into the market which does not at present exist, it would seriously interfere with our international trade, and it would place an umbrella over the noncomplier which he has not earned and which would be at the expense of the producer who complies with the programs.

May I go back to this international trade for just a minute, Mr. Chairman and state this, that from the best that we can learn the reason we have not increased our international trade is because, No. 1, in the Russian wheat deal we ran into the preferential bottom question.

And this increased that cost by 27 cents per bushel. We could have sent that wheat in non-American bottoms at much less, but sending them in American bottoms increased it that much. It meant that the wheat that we did sell had to be sold by the Government picking up the difference—the Commodity Credit Corporation picking up the difference in that amount that went in American bottoms.

We had a problem, as you remember, also, of some demonstrations and some strikes at the time that the first ships were loaded. The men from Continental were in our office a couple of days before that and said, "We are sure we are going to have this trouble. We do not even know whether we are going to be able to ship it or not."

In the regular operation of international trade the thing that has been hurting most has been this fact that we have been advertising every day what our subsidy is going to be. Every day this goes out in our trade journals. And every day all of our competitors—our foreign competitors, all they have to do is to offer their wheat at less than the price we have advertised we are going to offer it for.

Now, this bill that is before you would eliminate such practices. And this is one of the most desirable features of the bill. We do not always have to be telegraphing our punch in terms of international trade. It would permit the trader to come to the Commodity Credit Corporation after he had made a deal in the competitive world market and to purchase from the Commodity Credit Corporation the stocks necessary to make the sale. And from what I know of the administrators of the Commodity Credit Corporation at the present time this is precisely what they are trying to accomplish so that they can make some sales, so that every time they get a sale prepared that the Canadians will not undercut us. This was the reason behind the reduction in price in this so-called wheat war that we had with Canada along at the beginning of the year when prices went down about 16 cents. This was adjusted down to where we were at the Canadian competitive price. We are there now. We are in good enough shape with the Canadians. We are never going to compete with the Australians and the Argentinians, because they are going to sell on the market at a Government subsidy at some price. They have to gain dollars. They have no alternative except to do that. But, at least, we can do it in competition with our major exporter which is the Canadian market.

This, in general, is all I wanted to add to that. And, probably, more than I should have said. You have been very kind, Mr. Chairman.

Mr. PURCELL. Are there any questions?

Do you have any questions, Mr. Harvey?

Mr. HARVEY of Indiana. No.

Mr. PURCELL. Mr. Quie, do you have any questions?

Mr. QUIE. Yes, Mr. Chairman.

Do you agree with the statements made earlier as to the general provisions of the farm bill that is now here?

Mr. GRAHAM. No.

Mr. QUIE. Are you going to offer amendments?

Mr. GRAHAM. We will offer some testimony that will suggest some amendments.

Mr. QUIE. Have you done that yet?

Mr. GRAHAM. No. We are waiting for you to discuss some more parts of the bill.

Mr. QUIE. When will they be submitted?

Mr. GRAHAM. They will be in some hearings on crop lands adjustment and some other parts of it. We will have something to say on that, on the wheat and seed grains this is pretty good.

Mr. QUIE. When you figured the price of wheat did you take and add the carrying charges?

Mr. GRAHAM. Yes.

Mr. QUIE. And the amount of the loan?

Mr. GRAHAM. Yes.

Mr. QUIE. You start out with a loan of \$1.35?

Mr. GRAHAM. We are going to be in the loan level of \$1.35 as I understand it, for the next year. Take any figure you want and you will add the other.

Mr. QUIE. What about \$1.25 as the wheat loan actually will be?

Mr. GRAHAM. Well, we will have to take \$1.25, if we do we will come down a little but we are still too high.

Mr. QUIE. And then you have added the carrying charges to the \$1.35?

Mr. GRAHAM. Yes.

Mr. QUIE. And you take 105 percent of that, do you not?

Mr. GRAHAM. Yes.

Mr. QUIE. This is not the way it is figured, either, as I understand it. The Department would take 105 percent of the loan level and then add the carrying charges.

Mr. GRAHAM. No, no. I started with 105 percent—I am sorry—I will take that back.

Mr. QUIE. You did start with 105 percent?

Mr. GRAHAM. Yes. I did add another 25 percent to it. I did not add 105 plus the 18 cents.

Mr. QUIE. How did you arrive at the figure—when you arrived at the figure of \$1.91—how did you arrive at that—what page of your statement is that on?

Mr. GRAHAM. That \$1.19 is \$1.35, 125 plus 18.

Mr. QUIE. What page is that on in your statement?

Mr. GRAHAM. That is on page 8.

Mr. QUIE. Yes. You took \$1.35 and added the carrying charges of 11½ cents and 18 cents, and then took 105 percent to get the \$1.60?

Mr. GRAHAM. Yes.

Mr. QUIE. As I understand the way the Department figures it you begin with \$1.25 and take 105 percent and then add the carrying charges to that. This would be a figure substantially less than \$1.60?

Mr. GRAHAM. Excuse me while I do some figuring here. You are saying start with \$1.25?

Mr. QUIE. Yes. That is the loan as I understand it.

Mr. POAGE. How can you start with \$1.25? It is actually 105 percent of the acquisition.

Mr. HEIMBURGER. 105 percent of the current support price.

Mr. GRAHAM. What is the current loan level going to be this next year?

Mr. QUIE. It was \$1.30 last year and with 70 cents direct payment it makes it \$2. I understand they dropped the loan a nickel and increased the direct payment to make the total price the same.

Mr. GRAHAM. I think that you are a nickel low.

Mr. QUIE. Then you could take 105 percent of the \$1.25, and the carrying charges which add to that.

Mr. GRAHAM. That makes it \$1.51.

Mr. QUIE. Which is surely less than \$1.60.

Mr. GRAHAM. Then you add 25 cents—if we are talking about export—25 percent besides, and you have \$1.76, which is still above any possibility of our selling on the world market.

Mr. HARVEY of Indiana. Will you yield?

Mr. QUIE. Yes.

Mr. HARVEY of Indian. What is the present world market price on wheat?

Mr. GRAHAM. It is around \$1.60 or \$1.62.

Mr. QUIE. My figure for 105 percent of the loan plus 18 cents carrying charge is about \$1.49 $\frac{1}{4}$ according to my figures.

Mr. GRAHAM. I would say \$1.51, Mr. Quie—no, no; you are right. Excuse me. And \$1.74 then for international trade.

Mr. QUIE. Then as to the export subsidy if available in the marketing year that it is being sold—I understand that the export subsidy is the difference between the price of the wheat, which would be the market price, plus the export certificate and what it will sell at in the world market.

Mr. GRAHAM. And export subsidy has been with us a long time.

Mr. QUIE. So that you anticipate that the export subsidy will continue on whether there is or is not a certificate to increase the market price?

Mr. GRAHAM. I do not see any great necessity for it.

Mr. QUIE. We have it today.

Mr. GRAHAM. This is one of the things that is causing us our trouble.

Mr. QUIE. And you anticipate then with the bill as proposed at present that in order for the certificate to be of any use that we utilize the authority to resell at the market or at the level of it at the world market so that there will be neither an export subsidy or tax.

Mr. GRAHAM. I think that we have got to have some way of handling this difference between whatever it costs to whatever our American price is and the world market price, assuming that the latter will be higher. Now, we can do this with an export certificate, but not at the level that we had this last year because this throws us pretty high. This becomes a farm subsidy and maybe it is justified, but then this gets us into trouble. The Department in some of the trade we are talking about last year had an invert subsidy which was a very complicated kind of a thing to carry out. We prefer some kind of an equalizing device in terms of the certificate, but I think it has to be considerably more flexible than the one we had this last year. We found out in the break that we had in the international price at the first of the year of 16 cents this gave us quite a break. And this is what put the export certificates high enough so that they were of considerable additional cost to the Government.

Mr. QUIE. As I understand it, you feel that the market price of wheat should be lower than the world price so that the certificate will make up the difference?

Mr. GRAHAM. No; I do not feel——

Mr. QUIE. Or is it the other way around?

Mr. GRAHAM. I do not feel that it should be. I am saying that it is. We have to have some way of equalizing.

Mr. QUIE. Do you have objection to the market price continually being higher than the world price?

Mr. GRAHAM. Which market price? I think that we get into all kinds of international trade troubles at this point.

Mr. QUIE. We have been doing it for years.

Mr. GRAHAM. Yes. And this is how we got the protective devices thrown up against us in the Common Market. And the variable levy-type of thing. This is precisely the cause of this. It is as we begin to move away from the subsidizing of the exports that we are beginning to have some way of arguing with these Common Market people in the GATT negotiations. They have said—and this has been especially true of the French—that what we have been doing, actually, is taking our efficient American agriculture and further subsidizing it. The efficiency is enough to almost kill them in competition but then we subsidize with another 30 or 40 cents they have no way of competing with us and, therefore, they would build their protective system. And, primarily, the variable levy system was had, which is the best protection ever figured out. Nobody can beat that one. There is no way around it. And so they have built up this protection against the continual influx of subsidized American wheat into their market. This is precisely what they are saying, and I think that we would have just as much objection if some other country was subsidizing in exactly the same way and importing into our country. The imports we got from Australia last year in beef was a kind of an indirect subsidy, because they put it in and we raised a lot of sand about that. We cannot very well go into our international negotiations practicing the very same thing that we have objected to. This is the practical point that we have to get to here, is, what can we do in permanent international trade relations?

We can temporarily do the kind of thing that is being suggested here. We can get by with it for a year or so, but we will just shoot down our GATT negotiations and end up with the separation of agriculture from the industrials. And then we will be in a real bind, because at that point our biggest buyer, of course, is the Common Market, and if we get into a situation where we get locked out of the Common Market then we are going to know what farm troubles are then.

Mr. QUIE. Then you take the position that the National Grange takes to set the market price of the wheat not being higher than the world market price?

Mr. GRAHAM. The export price for wheat should not—the export price of wheat should not be any higher than the world market price.

Mr. QUIE. The export price and not any higher than the world market price?

Mr. GRAHAM. Yes.

Mr. QUIE. You propose that the export price of the wheat would be the same as the market price for wheat in this country, because you are in favor of the export certificate and you also oppose increasing the resale formula to enable the market price to go higher?

Mr. GRAHAM. You see, we are talking about a world market price. We do not set the world market price. We set our own price. The

world market price is set by agreement. We try to get the agreement as high as we can get it. This is what we have done. We had it up about 16 cents higher than really the competitive price was. Then the Canadians began undercutting us a cent a day and then we started undercutting them another cent, and we got this thing back down, so that——

Mr. QUIE. I know how the world market price is set. You say that we cannot do anything about that. However, you are maintaining in your testimony that the market price of wheat in this country should not be any higher than that at which it would sell on the world market.

Mr. GRAHAM. I am maintaining that by Government action we should not force it higher.

Mr. QUIE. Well, you are not forcing it higher by your putting Government grain on the market—you are forcing it down—you cannot claim that you are forcing it up.

Mr. GRAHAM. You are forcing it higher if the exporter cannot buy. The only place these fellows have to buy their wheat is that they can buy it from the farmer—they can buy it from the Government once it goes under loan. And this is most of it, a big share of it, now. Then the man who buys this wheat can only buy it back under this proposition of buying it back at 125 percent plus the carrying charges.

Mr. QUIE. Who is going to do that?

Mr. GRAHAM. The exporter. If you are going to lock this up it cannot be resold then——

Mr. QUIE. The farmer who gets a loan on the grain can redeem it any time during the year for any price—he just pays the loan value.

Mr. GRAHAM. He gets this in cash.

Mr. QUIE. He does not have to wait until the market price gets up to 125 percent.

Mr. GRAHAM. That is correct. And the exporter can buy it at the market time—any time he wants to get it at any price he wants to buy it for. I mean he can pay more than that, but once it gets into Government hands he cannot, under your suggestion, go back in and buy it out unless at 105.

Mr. QUIE. This is right.

Mr. GRAHAM. This is where most of it goes in at the loan level. Then we put our exporters out of business when we do that.

Mr. QUIE. When the loan was \$1.82 and the level was 105 percent plus carrying charges were they buying it then?

Mr. GRAHAM. Yes. And we had a world market price considerably higher because many of what are now exporting countries were then deficit countries. For instance, France was buying something around 500 million bushels of wheat a year, and last year they exported 300 million bushels of wheat. A lot of things have happened since that time. This is one of them.

We have got a change in the productive patterns and the markets of the world. We had a substantial problem of deficits in the Eastern European countries for a few years. That has been largely overcome. So this is a different world we are living in now than back 5 or 6 years ago.

Mr. QUIE. You think that the program could be patterned at the market price and if that should inadvertently be forced down below

the world market price, if it should be, the program would be such that the exporter would pay an export tax, in effect?

Mr. GRAHAM. Yes. Yes. This is precisely what we were doing in the certificates this last year. The certificates up to 25 cents became a problem when we got the drop in the price.

Mr. QUIE. If you eliminate the export certificate you eliminate this opportunity.

Mr. GRAHAM. I would not eliminate it without some way of making that adjustment. I think that we have got to limit the export certificate at a stated amount as we did it before, because I think to be practical the only way to do it is to make it a flexible certificate that reflects the difference.

Mr. QUIE. I appreciate your hopes. Let me ask just one further question: How much do you think that we need for the 1-year supply, the domestic supply reserve?

Mr. GRAHAM. That we need for that?

Mr. QUIE. You say in your statement on page 10:

If a 1-year supply for our domestic and present export markets was to be set aside as a reserve which could not be moved onto the market—

Mr. GRAHAM. It would take just about all we have got—about 900 million.

Mr. QUIE. About 900 million?

Mr. GRAHAM. And we do not know——

Mr. QUIE. You favor setting that aside?

Mr. GRAHAM. I would set it aside and lock it in as a reserve so that it never could be released even if the 105 percent of parity came about, but rather on the basis of the circumstances that would indicate that we had a national emergency. And then I think you have got a much better way of locking it in and solving this problem.

Mr. QUIE. Then you have the beautiful position of favoring the administration's opposition to increasing the resale formula and being for a program which would deny them the right to sell on the market if they have any surplus and be able to increase the market price.

Mr. GRAHAM. No, I do not think that is necessarily the same thing, because we are not assuming that this is going to always remain exactly as it is at the present time.

Mr. QUIE. Why?

Mr. GRAHAM. The market price or the supply demand situation. We may get an entirely different thing in terms of supply and demand. We may get a bumper crop in wheat this year which would throw this all the way off. The strategic reserve would remain the same. We might get a short supply, and then the strategic reserve would have taken all of this and then we would get an increase in the market—hopefully we would but I do not think that these are inconsistent. They are not in my mind. Maybe I have not communicated correctly to you.

Mr. QUIE. You say that if the formula would be 125 percent that the same situation would prevail if we had a bumper crop this year, because in the first year the Government does not have title to that wheat to dump it onto the market at any price.

Mr. GRAHAM. That is correct.

Mr. QUIE. So that it would be exactly the same.

Mr. GRAHAM. Not after 1 year.

Mr. QUIE. Is it your idea of holding all of it off the market even at any price which would yield more than the 125 percent of the loan resale formula?

Mr. GRAHAM. I think it is a better program. What is left moves fairly well within the market. This is really the way to take the Department of Agriculture out of the market, in my judgment.

Mr. QUIE. It is interesting to see your logic in coming to that conclusion.

Thank you.

Mr. PURCELL. Are there any other questions? If not, we thank you very much, Mr. Graham.

Mr. GRAHAM. Thank you.

(The letter referred to follows:)

NATIONAL GRANGE,
Washington, D.C., April 27, 1965.

Hon. GRAHAM PURCELL,
Chairman, Wheat Subcommittee, Committee on Agriculture, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: At this time, I am not sure of the origin of the \$1.35 figure which I inserted on page 8 of my testimony before your committee yesterday, as a support level. However, Congressman Quie correctly pointed out the error and I have, therefore, corrected my testimony to show that the total of 105 percent of the loan value of \$1.25 plus 18 cents carrying charges would be \$1.49 per bushel. Since this is approximately the export price at the present time, the conclusions stated would still be valid. Also, if the 125 percent feature were adopted, the release price in June would be \$1.74. In fact, the release price in July at the beginning of the year would be \$1.56 which would be above the present world market price.

It is the judgment of the Grange that we must not get ourselves into a position where Commodity Credit stocks cannot be released under any set of circumstances, at world market prices and, therefore, be used to earn dollars, reduce surpluses, and at the same time improve our total marketing position.

Respectfully yours,

HARRY L. GRAHAM,
Legislative Representative.

Mr. PURCELL. Our next witness is Mr. Don F. Magdanz, executive secretary-treasurer of the National Livestock Feeders Association, who is accompanied by Mr. B. H. Jones, assistant secretary-treasurer.

STATEMENT OF DON F. MAGDANZ, EXECUTIVE SECRETARY-TREASURER, ACCOMPANIED BY B. H. JONES, ASSISTANT SECRETARY-TREASURER, NATIONAL LIVESTOCK FEEDERS ASSOCIATION

Mr. MAGDANZ. Mr. Chairman and members of the subcommittee, we appreciate the opportunity of appearing here again this morning to present our views on this particular subject that you are treating on this occasion. We apologize to you for having only a limited supply of our statements. Our luggage, including about 50 extra copies, is somewhere between Chicago and Washington and we do not know when they will arrive. And with your permission, Mr. Chairman, Mr. Jones will make our presentation for the association.

Mr. PURCELL. We will be glad to hear from you, Mr. Jones.

Mr. JONES. Mr. Chairman and members of the subcommittee, just in summary, gentlemen, the National Livestock Feeders Association

does not favor the proposals, legislative and others, to prohibit the Commodity Credit Corporation from making domestic sales of stored commodities at a designated price level above the present 105 percent of current support prices, plus reasonable carrying charges.

To avoid misunderstanding on the association's position with respect to feed grain prices, let us again emphasize the statement in this connection which has been made to these subcommittees on previous occasions: Our people do not seek cheap feed grains. Generally speaking, low feed grain prices do not contribute to the health and continued well-being of the livestock feeding business; in fact, the opposite has proved historically to be true. At the same time, though, our people are not receptive to subjecting the free market to two price-influencing factors, both created by the Government program, which may exert their influence at different times of the year and cause rather wide fluctuations in market prices.

In our opinion the proposals would defeat the purposes of the feed grain program.

Raising the minimum price level at which the Commodity Credit Corporation can make domestic sales would work against the purposes of the feed grain program on two counts: (1) Work toward raising prices to a level which would discourage participation and compliance; (2) give support price advantage to noncompliers; and (3), have the effect of encouraging a build-up, rather than a continued decrease, in CCC storage stocks and, in turn, add to storage costs. Furthermore, such action could contribute to the problem of grains going out of condition prior to the movement from storage.

As long as the program is voluntary—and this association firmly opposes anything other than a voluntary program—high feed grain prices will discourage participation in the program and compliance with the diversion provisions. Also, if the resale price is set at a level at which storage stocks cannot move into utilization channels with a degree of freedom, storage volume will again tend to increase.

The next and, I think, most important point is that we feel that this would increase price instability and emphasize the Commodity Credit Corporation influence on market prices.

Setting the CCC sale price out of line with the effective loan rate would create an additional price influencing factor, which would be out of phase with the influence exerted by the level of the loan rate itself. On the one hand, it is the level of the loan rate, not the total price support rate—made up of price support payment plus loan rate—which is the price influencing force. Normally, as it has been stated here before, the loan rate has its greatest influence on market prices during and immediately following harvest.

On the other hand, the formula bin site price—resale level—has its greatest influence on local prices and on the general price level whenever the movement of feed grains tightens up. Typically, this comes some time after 1 year's harvest and immediately prior to the availability of the new crop. Such a situation, however, may also occur at other times, as evidenced by the situation which developed on corn last year in late November and December. Had the required resale level been set at upward to 125 percent, as contained in the current proposals, this would have contributed to a violent fluctuation in the price of corn.

A required resale level far out of line with the loan rate would work, at times, toward forcing prices much higher than the level which prevails during harvest and thereafter. In doing so, price instability would be generated to a far greater degree than is true under the present sale requirement.

If the Commodity Credit Corporation is prohibited from making sales at a level somewhere in line with prevailing market prices—that is, prevented from letting such sale volume blend smoothly into market channels—market prices will become less and less insulated from the effects of the volume of feed grains held in storage.

We submit that the present minimum is at a practical level.

Our people, including large and small operators and the range in between, tell us that the present CCC sale level of 105 percent of the loan rate, plus reasonable carrying charges, is as nearly correct a level as can be determined. This conclusion is based on their experience in both their respective local markets and in the national market for feed grains.

And they, of course, buy in bulk. They have concluded that this level does not discourage participation in the program and compliance with the diversion provisions, does allow CCC sales to be made with a minimum of effect on market prices, and has made progress toward reducing storage stocks of feed grains.

This association, therefore, respectfully requests that the subcommittee not deviate from the present resale minimum in recommended legislation which is submitted to the full committee and to the House as a whole.

Mr. PURCELL. Thank you very much, Mr. Jones.

Are there any questions of Mr. Jones at this time?

Mr. DOLE. I think your second point is of interest. Do you know of any instances of that second point?

Mr. JONES. It would what?

Mr. DOLE. In other words, there would not be as much cooperation if you raised it?

Mr. JONES. We would not have the participation that we now have; that is, we do not think so. You would have this opportunity, at least, during the year whenever your feed grain movement tightened up that the prices were going to be pulled up toward this higher resale rate.

Mr. DOLE. Then your third point, as I understood it, is that there would be a buildup in stocks, is that correct?

Mr. JONES. We think that it would work toward actually increasing the stocks again which we certainly do not want to see.

Mr. DOLE. Have you done any research on this—is there any evidence that this would actually happen?

Mr. JONES. I think that the only thing we have is some experience. I do not know that we could even research this out to tell exactly what would happen.

Mr. DOLE. In other words, it is just your opinion that this would happen?

Mr. JONES. We think at this level that you would encourage the buildup of stocks. If you have this that far above your loan rate, which is a price at which the market tends to pull, why, then I think you would get to the point where this is not going to move smoothly into the market channels; and, therefore, we will have a buildup.

Mr. DOLE. Do you agree that there might be an area of compromise between 105 percent and 120 percent or 125 percent, say 110 percent or 112 percent?

Mr. MAGDANZ. We might say, Mr. Dole, that we could not object nearly as much to 110 percent as we would to 125 percent; and, therefore, there could be an area of compromise.

May I offer some addition to your previous question in regard to evidence of the point that we make here? I think we can present the evidence in the other direction and say this, that under the present feed grain program where the release price has been at 105 percent of the loan figure, we have concrete evidence that stocks have been reduced. Now, we would readily admit there are perhaps other factors here which have contributed to this reduction, but, nevertheless, we have had a pattern where stocks have made a very definite increase in the past few years, and since that has occurred we are reluctant to see a change made which we do feel very definitely would reverse the trend so far as stocks are concerned. And it has already been brought out here this morning—and I am sure before—that a higher loan rate would tend to lock in your supplies and surpluses rather than to allow the extra quantities to flow into the market.

Mr. DOLE. But you would not object to this if we come down 10 or 12 percent to 125 percent?

Mr. MAGDANZ. In other words, if you came down 10 percent you are at 105 percent and there has to be a line here somewhere. We would still object at 115 percent.

Mr. DOLE. May I put it this way? Is there anything that you would support above 105 percent?

Mr. MAGDANZ. In answer to that, is there anything that we would support above 105 percent? The answer would have to be "No."

Mr. QUIE. Will you yield there?

Mr. DOLE. Yes.

Mr. QUIE. Are you saying that the inducement for the farmer to comply with the feed grain program is the loan plus the fact that the market price is above the loan? That is not what causes the compliance with the feed grain but rather the direct payment.

Mr. MAGDANZ. May I answer, sir? No, sir. We do not say that. We are saying that the diversion payments to the compliers does not have an influence on the market price, whereas the loan rate does. And we are talking about the difference between the loan rate and the release price. And here is where our contention lies with reference to the two prices influencing factors when they may come into play.

Mr. QUIE. Both the complier and the noncomplier would benefit from an increase in market price due to the increase in the resale formula.

Mr. JONES. Yes.

Mr. MAGDANZ. Yes.

Mr. QUIE. And so that other payments would be an addition for the compliers and not the noncompliers that they would receive, so that the difference between them would be the same.

Mr. JONES. But if you have a tendency to pull the market price up, the higher this price goes, the less attractive your program becomes, even with your payments.

Mr. QUIE. You mean that your payment is such a small percentage. I could see that if you got up over around 90 percent of parity figure on feed grains it may well be the point, but on such a low price as feed grains are now, how could the additional amount of market increase affect that, because you would hope that the supply would be brought down with any successful program. The market price would increase to a greater degree with supplies down than with the resale formula increase.

Mr. MAGDANZ. Mr. Quie, if you will, permit me to disagree with you on the statement that the payment would be the only difference that there would be between the complier and the noncomplier in this way: The noncomplier would be raising such an acreage that was over and above what his allotment would be, and in that respect could increase it tremendously or, at least, substantially, and contribute to the thing that you are trying to do here with the Government program, but still take advantage of such times during the year as the release price would come into play and have its effect upon the market.

Mr. QUIE. So could the complier do the same thing.

Mr. MAGDANZ. Yes.

Mr. QUIE. We all recognize that this additional amount of money would be on the market price, and if you increase the resale formula they would both be looking at this in making their judgments. And also, if there was not compliance it would not add to the amount in storage.

Mr. MAGDANZ. Correct. Except that the complier is the one who is cooperating with the program that you are trying to accomplish a beneficial result with, and in complying with this program you are offering him certain inducements to do so.

Our point is that if you raise the resale price you are also going to offer the noncomplier certain inducements to noncomply.

Mr. QUIE. There are some people who believe that if 100 percent of the farmers comply, then you really have a perfect program. And I maintain that with the same number of acres with fewer farmers that you are really better off—and reduce the production more. And that our farmers would be better off.

Mr. JONES. I do not think that we basically disagree with your philosophy here. Our main emphasis, our main concern is not as much on compliance as it is on the injection of another factor here which adds to instability. I think this is our concern a great deal more than it is as to the degree of compliance with the program as far as our position is concerned.

Mr. QUIE. Presumably the majority of the people that you represent agree, but definitely those that I represent do not agree. I yield back to Mr. Dole.

Mr. OLSON. Will you yield?

Mr. DOLE. I yield.

Mr. OLSON. Mr. Quie, you make a good case for the opposition of any farm program to ask for a reduction in diversion payments or any other price supports, because you say that it does not make any difference—or just a little bit of difference—in compliance. If this is the case then this committee can drop the diversion acreage payments by maybe \$500,000 or maybe \$1 million and spread the program around in other areas.

Mr. QUIE. I do not follow you there.

Mr. OLSON. You are saying——

Mr. QUIE. There is a difference between direct payments and diversion payments.

Mr. OLSON. Are you willing to make the statement that the spread between what the noncomplier and what the complier gets should be less.

Mr. QUIE. I do not see how anyone can make a judgment on that. You have to make that judgment in working with the program to find out what the amount of the payment will bring to the complier and otherwise.

Mr. OLSON. You made that comparison.

Mr. QUIE. No; I did not. What I am saying is that the increase in the market price, with an increase in the formula was not going to give sufficient inducement for, in dealing with that market price, to the noncomplier. The noncomplier and the complier both realize the direct payments and the diversion payments were sufficient to bring about compliance. The noncompliers stay out for other reasons.

Mr. DOLE. It would still be the same—that is the point.

Mr. QUIE. Yes.

Mr. OLSON. Will you yield to me to ask a question of Mr. Jones?

Mr. QUIE. Yes.

Mr. OLSON. Your statement primarily is concerned with feed grains?

Mr. JONES. Yes.

Mr. OLSON. And you were engaged in the discussion of whether you would compromise at a lesser figure than 120 percent and higher than 105 percent, and you said on the whole package. Would you be willing to consider a higher release price for wheat alone and not any change affecting feed grains?

Mr. JONES. Well, in answer to your statement there, we would not have a position as far as the release price on wheat is concerned.

Mr. OLSON. I feel that the substitution might become more prevalent at the lower price of wheat with the higher certificate on the domestic wheat, and therefore there might be a valid reason for allowing a little higher price for wheat. My colloquy with Mr. Quie here about the point at which he will get compliance, I also believe is resolved in the case of wheat, because we do have good compliance at 75 cents for the certificate which we are talking about making \$1.25 on the domestic production. I think that we have solved that. I think that we have some other areas that might well be dealt with, to make sure that there might not be some advantages in solving some problems in raising the price of wheat.

Mr. MAGDANZ. Since you have mentioned it, permit us to say this. As Mr. Jones has already told you, we do not have a specific policy in this aspect of the wheat program. We could have come in before this committee and advocated a much higher price release price on wheat, but we would have done so selfishly and we are not coming before this committee in that manner.

Mr. OLSON. Thank you.

Mr. PURCELL. Thank you very much, gentlemen.

I have been asked to secure permission from the subcommittee for the American Farm Bureau Federation to insert a letter from Mr.

Shuman, president of that organization, into the record at this time, and without objection, it will be made a part of the record at this point in the record.

(The letter dated April 23, 1965, follows:)

AMERICAN FARM BUREAU FEDERATION,
Chicago, Ill., April 23, 1965.

HON. HAROLD D. COOLEY,
Chairman, House Committee on Agriculture, Washington, D.C.

DEAR MR. COOLEY: The President of the United States in his most recent message on agriculture provided dramatic proof of his recognition that the free market could be made to work more effectively for the farmer. There can be no mistaking as to what he meant when he said the following:

"Our objective must be for the farmer to get improved income out of the marketplace, with less cost to the Government.

"To do this, I am asking the Secretary of Agriculture to so utilize the Commodity Credit Corporation as to make the free market system work more effectively for the farmer. We must encourage the private segment of our economy to carry its own inventories, bought from farmers, rather than depending on the Government as a source of supply. We must urge the private sector to perform as many services as possible now performed by Government agencies."

We endorse the basic philosophy of this statement. It implies a basic change from the current policy of heavy CCC sales which places an effective ceiling on the prices farmers receive. It is essential that the Johnson policy be implemented both by administrative announcement and by legislation.

However, the recently submitted legislative proposals will not accomplish these objectives of the President. Instead, the Secretary of Agriculture can use the authority provided in his proposed legislation to continue his policy to place a ceiling over the price of grain, to the detriment of farmers' income. Apparently, the Department desires to retain its authority for unlimited sales of grain in order to punish noncooperators.

This legislation will not enable the vitality of the free market to be used to improve farmers' return. The private segment of the grain trade will not be encouraged to carry stocks of grain because the proposed legislation continually threatens the market with heavy price depressing sales.

The present punitive price policy also has the following undesirable effects:

(1) Heavy sales by CCC keep the price structure so close to the loan that it forces current production under the loan program. The grain is then acquired by the CCC. Thus CCC acquires far more grain than it would if normal competitive forces were permitted to function. This is costly to the farmer and the taxpayer.

(2) CCC sells wheat directly to processors thereby reducing the demand in the free market. It enables the milling industry and others to shift the cost of carrying inventory to the Government.

(3) Continued heavy feed grain sales have stimulated livestock production, with unfavorable price effects on livestock producers. As a result in 1964, livestock prices were so low that the USDA was forced to step into the market to purchase several hundred million dollars worth of beef and other livestock products.

(4) A policy of using Government stocks to prevent natural market price increases penalizes both cooperators and noncooperators, especially in poor crop years when producers need higher prices to make up for reduced output.

By raising the CCC selling price and hence the ceiling price of these commodities, farm income will be increased.

Therefore, we herewith petition the Congress to raise the minimum CCC resale price on wheat and feed grains to not less than 125 percent of the loan, plus reasonable carrying charges.

We would appreciate the inclusion of this petition in the committee hearings on CCC selling policies.

Very truly yours,

CHARLES B. SHUMAN, *President.*

Mr. PURCELL. One question, Mr. Lynn, in regard to this letter that was filed on behalf of the American Farm Bureau Federation that counsel for the committee has asked he be permitted to ask for the record.

Will you come up, please, and hear the question?

Mr. JOHN LYNN. This is an unexpected pleasure.

Mr. HEIMBURGER. Mr. Lynn, I suppose this does nothing but expose my own ignorance, but it is a question that keeps recurring to me and I would like to have your answer to it.

All of the testimony here this morning with regard to the higher level of Commodity Credit Corporation resale prices has assumed that the free market price would seldom, if ever, get up to this 125 percent of the support-plus-the-carrying-charge figure which has been discussed. If that is the case—if the market price would generally be below the Commodity Credit Corporation resale price—what is the Commodity Credit Corporation going to do with the wheat and the feed grains that it acquires under the price support program over a period of years?

**STATEMENT OF JOHN C. LYNN, LEGISLATIVE DIRECTOR,
AMERICAN FARM BUREAU FEDERATION**

Mr. LYNN. It is not necessarily so that the market price will always be below the CCC resale price. I think in the case of the 1964 feed grain production, the drought was the main factor and nothing else; that is very evident. It was not the feed grain program. I do not know what today's market price on corn is, but it is somewhere about \$1.35, so I do not necessarily agree that the market price will always be under the resale price. If you take 125 percent resale price that we have recommended, and try to tack it onto the current program, you come out with the different answer than you do if you combine it with the program we have recommended.

Mr. HEIMBURGER. Just to clarify that point before we go on, you have recommended 125 percent resale price, but do you recommend that in conjunction with the present program and if we do not change the present program, then you are not in favor of the 125 percent?

Mr. LYNN. Yes. But the result may be different under the administration's proposal. If you adopt our price-support recommendation of 90 percent of the previous 3-year average market price for feed grains and add 25 percent as the resale price, we think the program would be more workable.

Mr. HEIMBURGER. Now, you said, Mr. Lynn, that perhaps this problem would not arise because you anticipate that the market price will get up to the resale price from time to time; and, therefore, the Commodity Credit Corporation stocks can be released, but suppose it does not—what is the Commodity Credit Corporation going to do with this wheat and the feed grains?

Mr. LYNN. Keep it—keep it until the market price gets above the resale level—we can't compete with CCC.

Mr. HEIMBURGER. That is a rather dismal prospect, it is not?

Mr. LYNN. If you follow the course of action that we recommend the Commodity Credit Corporation will cease to take in these large amounts of grain and wheat and suppose we do have to pay the carrying charges on that for 4 or 5 years, why not?

Mr. HEIMBURGER. Then your wheat is worthless—you might just as well not have gotten it.

Mr. LYNN. That is all right.

Mr. HEIMBURGER. You reduce the value of wheat while in storage.

Mr. LYNN. That is all right. We are spending \$1,300 million under the feed grain program without any result and I am sure that you will not have results in 1965. And rather than break the farmer's price why not continue to pay the storage on the stocks? Let's stop them from coming into CCC.

Mr. HEIMBURGER. Excuse me. We are not discussing the basic problem here, because you shift over immediately to the assumption that Congress will adopt the Farm Bureau recommendation.

Mr. LYNN. We have to be optimistic; we hope they will. [Laughter.]

Mr. HEIMBURGER. As the basis of this conversation let's assume that the Congress will not——

Mr. LYNN. Oh, John, don't say that. You see I am in trouble if what you have said is true. [Laughter.]

Mr. HEIMBURGER. You are very persuasive and you are one of the best witnesses we have here. I am disturbed about this. It seems to me that our present practical situation is the imposition of a higher Commodity Credit Corporation release price on substantially the present program and I am concerned about that, because in my mind I can just see piles of wheat and piles of feed grains building up in storage with no possible way for the Commodity Credit Corporation to get rid of the commodities.

Mr. LYNN. No.

Mr. HEIMBURGER. Is that not what would happen?

Mr. LYNN. No, I do not think so. I do not think it will. It seems to be the policy of the Secretary of Agriculture to continually reduce the price support and to increase the payment, and use CCC stocks to get compliance. This is the reason that we are for 125 percent as a basis for the release price, even though you adopt an extension of the current program.

Mr. HEIMBURGER. What you are saying is that you assume that the Secretary of Agriculture, seeing the surpluses building up in the Commodity Credit Corporation, that he could not sell, would reduce the price support level to where no more would come in?

Mr. LYNN. This is it.

Mr. HEIMBURGER. Is that correct?

Mr. LYNN. He has been moving in this direction in regard to corn and with regard to——

Mr. HEIMBURGER. But you do admit that if it got in there, there would be no way to get rid of it.

Mr. LYNN. When the market price went above the support price, plus 25 percent, the CCC would be perfectly free to sell its stocks.

Mr. HEIMBURGER. Yes.

Mr. LYNN. But why should any secretary of agriculture beat our price down? The act of 1938 was designed to do precisely the opposite.

Mr. HEIMBURGER. I do not think that it is a case of beating the price down when he cannot sell at a price lower than 105 percent of the support price which is determined by legislation—I do not think that he is beating the price down.

Mr. LYNN. Yes, sir; it is, John. The Secretary sat right here, testifying, and on page 18 of his statement he said that the reason that he

was against increasing it above 105 percent was that he would lose compliance in the programs. The previous witness said the same thing. Why do you lose compliance? The threat of competition from the Commodity Credit Corporation forces farmers in. You put a farmer in an impossible position.

Mr. HEIMBURGER. You lose compliance because he thinks that he can do better outside the program than inside the program.

Mr. LYNN. If you are going to have a voluntary program, what is wrong with that?

Mr. HEIMBURGER. And, personally, I must say that I find no objection to this. It seems to me that the basis of the Government program should be to support farm income, not to acquire compliance with a Government program. If a program has 10-percent compliance and will meet this objective, this is probably better than a program that will have 90-percent compliance.

Mr. LYNN. Just one other point. I do not think that you will ever succeed in a voluntary program.

Mr. HEIMBURGER. Thank you for your indulgence, Mr. Chairman. I am not sure that I know what has happened to the Commodity Credit Corporation stocks or what will happen to them.

Mr. PURCELL. Would your testimony regarding wheat be the same as you have answered this morning if you were asked the same question that Mr. Heimburger asked you?

Mr. LYNN. It would be the same but we would hope that our recommendations would prevail.

Mr. PURCELL. If it is your philosophy of either taking the reduction or a compulsory program, do you foresee any way that you could ever support a compulsory program?

Mr. LYNN. No; that is the reason we recommend the one that we do which repeals acreage allotments on wheat and feed grain and bases the price support on the market system. Then we would not accumulate stocks that Mr. Heimburger is fearful of.

Mr. PURCELL. All right. Thank you.

We will recess until 10 o'clock in the morning.

(Whereupon, at 12:15 p.m. the subcommittees adjourned to reconvene at 10 a.m., Tuesday, April 27, 1965.)

RELEASE PRICE—CCC STOCKS

TUESDAY, APRIL 27, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FEED GRAINS,
AND THE SUBCOMMITTEE ON WHEAT OF
THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittees met at 10:10 a.m., pursuant to recess, in room 1310, Longworth House Office Building, Hon. W. R. Poage (chairman of the Subcommittee on Livestock and Feed Grains) presiding.

Present: Representatives Poage, Purcell, Olson, Foley, Redlin, Bandstra, Greigg, Callan, Quie, Latta, Findley, and Dole.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimbürger, general counsel; Robert C. Bruce, assistant counsel; and Francis LeMay, consultant.

Mr. POAGE. The subcommittees will please come to order.

We have a scheduled list of witnesses this morning. But before we proceed with those, we have with us Mr. Allen and Mr. Redwine of Texas, and we will hear from them first.

Mr. REUBEN JOHNSON (National Farmers Union). I would like to suggest that the two gentlemen come together before you.

Mr. POAGE. We will be glad to have them come together.

STATEMENT OF JOE ALLEN, McLENNON COUNTY, TEX.

Mr. ALLEN. Mr. Chairman and members of the subcommittee, I am Joe Allen from McLennon County, Tex. I am a farmer down there. I am from Chairman Poage's district.

Mr. POAGE. You may sit down if you like.

Mr. ALLEN. I do better standing up, Congressman Poage.

I would like to say as an introduction before we get started, something for my farmer friends and neighbors, to do something for them, and also to bring credit to the Congressman from Waco, who is one of the greatest friends I believe agriculture ever had. And I would wish to state as my resolve for today, to you and the committee, to say, "Well, man, I wish that I had somebody like that from my district who would come up here and who could speak that well." Of course I know that is impossible, but that would be my desire.

Now, then, what I would like to say is that the farmers in our neck of the woods are really up against it financially. In my own individual case, last year I planted everything—more than I had ever before in my life—and today my net worth is less than it was at this time last year. I have had no sicknesses. I have not taken any trips or have not spent any money foolishly, but because of the prices that we get

for our products and the costs that we have to pay in producing the products, is the thing that is hurting us. That is my personal view. I know that.

Let me tell you about my brother. He was a pretty good sized operator. He sold out all of his equipment and went into cattle raising, because he said that the last 3 years he lost money each year.

Now, then, a few years ago it came out in a survey that the average age of the farmers in our country was 50 years. We all get old. I am a little bit older than most of you, I think. I do not think that you are going to force me off the farm, because I can get out there with a couple of mules and raise a garden and have a cow, and I can live.

What are the people, however, going to do who have a lot of money invested? They can make more money by investing their money in other things than they can in a farm.

And as to this year in wheat, we have rust down there, which the committee, I know, cannot do anything about, but we are going to have these failures once in a while. And when we do, we are going to take our losses.

The thing that has kept us going is that we have made good crops for several years.

I would like to present and put into the record a few letters from bankers and farmers and businessmen in my section of the country that you all may read, probably, at your leisure. And see what you can do for us.

Mr. Redwine, who is with me, is from West Texas. I think that he has a similar comment to make.

If any of you wish to ask me about anything of a personal nature or anything else I will be more than happy to try to answer your questions.

Congressman Poage, I appreciate this honor that you have done me by letting me start this thing off.

My mother is 98 years old. And if she was here she would say, "Well, I know that is where he should have been all of this time." But most everybody else will say, "How in the hell did he ever get there"? [Laughter.]

I thank you.

Mr. POAGE. You will be pleased to know that we have had some rain.

Mr. ALLEN. I was there. We need it, too.

Mr. Chairman, have I your permission to present these for your consideration at a later date?

Mr. POAGE. Without objection they will be included in the record.

(The letter dated April 20, 1965, from the National Farmers Union, with accompanying attachments, follows:)

NATIONAL FARMERS UNION,
Washington, D.C., April 20, 1965.

Hon. HAROLD D. COOLEY,
U.S. House of Representatives,
Washington, D.C.

MY DEAR HAROLD: Mr. Ben Radcliff, a member of the executive committee and board of directors of Farmers Union and president of the South Dakota Farmers Union, appearing before a joint session of the Livestock and Feed Grains, and Wheat Subcommittees on April 12, 1965, set forth the policy adopted by delegates to the recent convention of Farmers Union in Chicago, concerning Commodity Credit Corporation sales policies on wheat and other commodities.

In view of the fact that the subcommittees are holding further hearings to discuss this matter, I am writing you and sending copies of the letter to Subcommittee Chairmen Bob Poage and Graham Purcell in order that there will be a statement in their record of the hearings.

The policy of Farmers Union as stated by our delegates is that "No CCC inventory of wheat should be disposed of at less than 120 percent of the support price and other policies concerning CCC marketings (including feed grains) should be directed toward strengthening the regular market structure."

We do not favor establishment of a CCC sale policy based on 120 percent of the support level for feed grains.

As Mr. Radcliff pointed out when he appeared before the subcommittees, we consider the spread between the support level now set at \$1.25 and \$2.50 (basic support rate plus \$1.25 certificates) proposed for domestic wheat under the provisions of the new farm bill, to be wide enough to permit increasing the CCC sale price of wheat to the level we recommend.

This matter was fully debated at our convention and by the decisive action of the delegates is the policy of Farmers Union.

It is our sincere hope that the subcommittees as well as the full House Agriculture Committee, will see fit to approve recommendations of our organization in this regard.

I appreciate very much the many courtesies that you and members of the House Agriculture Committee have extended to me and to Farmers Union over the years and we sincerely pledge our continued cooperation toward the objective of parity income.

With best personal regards.

Sincerely,

JAMES G. PATTON, *President.*

MOODY, TEX., *April 25, 1965.*

Mr. JOE L. ALLEN,
McGregor, Tex.

DEAR SIR: It is my understanding that you will be going to Washington next week on behalf of the farm program. Let me say that I sincerely hope that some good can be accomplished because the farming situation is becoming critical. We see more and more people having to give up farming and having to seek a living in some other line of work. This is happening, I think, because the products the farmer has to sell are becoming cheaper each year, while the things the farmer has to buy each year to produce these products are becoming higher and higher. I have thought for some time now, that this surely could not continue much longer, but somehow it has.

I believe that the one thing that has kept most farmers in business is increased production, and this has been possible through improved farming practices such as fertilizer, hybrid seed, and increased use of machinery in cultivation and harvesting. But on the other hand, this has created another problem that has hindered, and in many cases, prevented many farmers continuing in business. That problem is the increased investment each crop year.

I believe that farming is near the crossroad where something is going to have to be done, not only to hold up the economy of agriculture, but also the economy of the Nation. I also believe that the answer to this problem is through a strong farm program, one with strict controls and support prices more in line with cost of production. After all, the support price set by the Government pretty well determines the market price of farm products.

Most all industries are organized well enough that they can demand and get increased prices for their products. But with farmers it would be next to impossible to do this because nearly all of them are operating on borrowed money, and they have to sell their products for just what they can get in order to meet their obligations.

I, for one, am hoping that our Government can and will come up with a farm program that will allow farmers to earn an income comparable to other industries.

Your truly,

PAUL ALEXANDER.

McGREGOR CHAMBER OF COMMERCE AND AGRICULTURE,
McGregor, Tex., April 24, 1965.

Mr. JOE ALLEN,
McGregor, Tex.

DEAR JOE: In my opinion the economic condition of the farmers is growing progressively worse in our area. This is, as you know, caused by lower farm prices and higher production costs. The high cost of labor and machinery is the primary cause for the increased total production cost. No industry has made more progress than agriculture in the technical developments. However, unless we have farmers with the equipment to handle the new developments they will not be successful.

The average farmer is not financially able to replace farm machinery as it wears out, so this critical point has not been reached at this time. I would estimate that the average of the machinery on the average farm is 8 to 10 years. It is not adapted to our modern farming. Unless something is done to change this condition, there is nothing left for the farmer to do except leave the farm.

Very truly yours,

OLIN J. TIPPIT,
Chairman, Agriculture Committee.

CRAWFORD, TEX.

Having lived on a farm all of my life and operated a farm all of my adult life, I believe that I am familiar with the problems which farmers of my area face today. The stock and direct farmers in this area are being put out of business by continually rising cost of production and prices on raw farm products entirely to low.

Our farm programs have helped but have not been adequate. We need programs that will insure 100 percent of parity on all agricultural products. I do not believe the Government owes a man a living because he is a farmer, but that he is entitled to the same opportunity to make one as any other individual. We feel that vertical integration has had a major part in reducing the income of the family size farm, especially in the meat and poultry field. I believe that we need more investigation into price fixing and food marketing, with some immediate action.

Another problem our farmers are facing is their inability to compete with business and professional people who are in agriculture for a tax dodge. We believe these people should render an income report on each business unit.

These are a few of the reasons many of our farmers' liabilities are far greater than their assets and they are completely at the mercy of their creditors.

Respectively submitted.

LOY B. FULP.

THE FIRST NATIONAL BANK,
McGregor, Tex., April 24, 1965.

Mr. JOE L. ALLEN,
McGregor, Tex.

DEAR JOE: It is my understanding that you are planning on going to Washington to appear before the Agriculture Committee and I am sure that you will encourage this committee to promote a program that will increase the farmer's income.

As a loan officer I have the opportunity to take care of many of our farmer's loan requests, and with the decline in the price received by the farmers for their raw products, it is becoming difficult for all of our farmers in our area to meet their obligations and when this occurs they have very little money left to purchase new farm equipment, automotive equipment, and to make necessary repairs on their homestead. I am sure that it is realized that when the economy of the farmers is curtailed, the entire economy of the Nation will also be affected.

It is essential that the income of our farmers be increased in order to encourage young men to remain in the farming business. With the present farm income, a large majority of our good young men are leaving the farm to seek larger income and if this trend continues, we will, in the very near future, find few men that will have the desire to continue operating our farms, and certainly the abundance of our farm products has made it possible for this Nation to continue to fight communism and to maintain peace throughout the world.

As a farmer in addition to the position I hold within this bank, I certainly would encourage you to do everything in your power to show to the Agriculture Committee the urgent need for an increase in the income of our farmers of this Nation.

Sincerely,

WILLIAM ZACHARIAS.

FARMERS SUPPLY CORP.,
Waco, Tex., April 26, 1965.

To Whom It May Concern:

I am a farm implement dealer in Waco, Tex., located in McLennan County which is in the Blacklands area of Texas, and have been an implement dealer here for 26 years. Waco has become a city of over 100,000 population which has an economy supported by a few industries, but the larger source of income here is agriculture. The average age of the operating farmer in this county is over 57 years and I can count on my hands the number of farmers under 40 that are full-time commercial farmers.

A local airbase which has been a strong factor in the stability of our economy, will soon be deactivated, which will reduce substantially employment opportunities for unskilled workers in the county. Many part-time farmers that have been employed at this facility and in businesses supporting this airbase will soon find themselves without jobs. It is essential that full-time farming provide more job opportunities for the rural people of this county and additional farm income strengthen the economy of this city.

My records indicate that continuous and worsening low-farm-income conditions since 1950 have seriously affected my farm implement business. Many substantial farmers who were once good credit risks and purchasers of new equipment must now be carefully checked to determine their credit base and are certainly not prospects for new and improved farm implements. The deplorably low farm income condition continues and as my older customers retire, there is little incentive for their sons and other young farmers to undertake their operations. Because of this, I am having to orient my operation more and more toward contractors and builders rather than farmers.

I understand that the Congress will soon be considering new farm programs for the basic commodities that are grown in this area—cotton, feed grain, and wheat. As I see it, it is essential that these programs provide increased income to the growers of these products so that there will be adequate incentive for young farmers to continue in commercial agriculture and so that areas such as ours that are losing defense installations won't suffer complete collapse.

Sincerely yours,

ROSS BROWN, *President.*

THE FIRST NATIONAL BANK OF WACO,
Waco, Tex., April 24, 1965.

Mr. JOE ALLEN,
McGregor, Tex.

DEAR JOE: Thank you for asking us to comment on the agricultural economic picture we have developed from dealing with our farm and livestock customers here in the area served by the First National Bank of Waco.

As a result of generally favorable weather and diversified farm enterprises and opportunities for outside (other than agriculture) income, our customers have been able to maintain a fair income level. Those who own land in the vicinity of the developing urban centers have enjoyed a constant and steady increase in value of land on the plus side.

On the other side of the ledger ever-rising expenses, continually decreasing of net return from sale of farm products (both crop and livestock) and increased demand for higher living standards and labor cost has lowered net profit for about every farm family we know.

If this situation is to be corrected, it seems to me pricing structure for farm products must be developed to allow agricultural producer to buy and sell on a comparable basis.

It is hoped you and the fine farm organization you represent will be able to bring the present trends to the attention of appropriate people and agencies to the end we can enjoy a profitable agricultural economy in this area as well as

the rest of the country, for we truly believe "civilization begins and ends with the plow."

Thanks for asking us. Best wishes for a successful undertaking. Thanks to you and your associates for all the fine work you do in our farm families behalf.

Yours sincerely,

GEORGE LOGAN.

Mr. POAGE. As the committee does realize, the greatest problem that the farmer has is the price cost squeeze in the cost of things that the farmer has to buy and what the farmer gets for his product.

We have often stated and I am sure that you agree, although there are those who do not agree, but I do not think that it makes much difference what the farmer gets for his product provided what he gets is in line with what he has to pay for the material that he has to have to produce his product and to live, and to pay the expenses that he has in order to maintain his living standards. If he can get a return for his product which is comparable to the return that other people get for their labor, I am perfectly satisfied then with 10 cents or 40 cents for cotton, with 50 cents or \$3 for wheat. It does not make much difference provided it is comparable with what other people are getting in their endeavor. The thing that the farmer cannot stand and the thing that you are emphasizing—is that he cannot stand to pay these higher prices for everything he buys and to find his own prices going down year after year.

Mr. ALLEN. That is right; that is right.

Mr. POAGE. Neither can I understand how anyone can justly complain on behalf of the consumers as to farm prices so long as they are below parity—so long as they are below the comparable figure of what other people are earning. I cannot understand the philosophy of those who come before us—and a great group did just a few weeks ago and told us that they were concerned about the wheat program because it might raise the price of bread a cent a loaf and that it was not fair to raise the price of a loaf of bread to the consumer. Now the price of bread has gone up every year for the last 14 years—not the price of wheat, but the price of bread. During those 14 years the price of wheat has dropped—it has dropped 9 years out of the 14 years. In total it has been a drop of more than 25 cents a bushel during that period of time. But those people did not come here and complain and talk about the price of bread going up while the price of wheat went down, but now because it looks like the farmer might make a little bit more out of that wheat they rush in here and complain about what they call a bread tax.

I see no difference so far as bread tax is concerned in giving the farmer a parity of return on about 45 percent of his wheat production and the public utility concept price which gives the American Telephone & Telegraph Co. a profit of about 6 percent on everything that they handle. Nobody calls those bread taxes and yet a big farm organization came in here just the last 2 weeks and complained bitterly that if we raised the price of wheat that it would mean a bread tax.

If I understand what you are saying, Mr. Allen, it is that we must have comparability between what the farmer gets and what the farmer has to pay.

Mr. ALLEN. Mr. Chairman, I would like to say, too, to this group here and to the committee, that I always have found this in my life—I have known Mr. Poage a good many years—he can say the same darned thing so much better than I can think. [Laughter.]

And I will say that I never have heard Mr. Poage say anything that I have disagreed with in my life.

Now, one more thing that we want to consider as to the farmer as to what he makes. It is not only the farmer himself.

I have heard an associate editor of the Progressive Farmer say that 40 percent of our population is directly concerned with agriculture; in selling different products and handling their products to the consumers. Now, then, if the farmer—well, let me put it this way, if the farmer is making money, I have never seen a farmer yet who makes money who does not help keep up the oil industry, the machinery industry, and labor and all of the processing industry and all of that. I think it has a bearing upon the little towns, too, that we have in our rural America. And if you want to see a town where the merchants start crying a little bit, you let 2 or 3 years of drought hit the farmers or something like that, a calamity, and they will holler as quickly as the farmer. I thank you again for the privilege of appearing here.

Mr. POAGE. We are delighted to have had you here.

Mr. Callan would like to ask you a question.

Mr. CALLAN. The members of the committee want to share your concern about the income problems of agriculture. We also share in your extreme respect for Chairman Poage.

Mr. ALLEN. Thank you. I am sure that each member on the committee is a dedicated person. I was telling Mr. Redwine when we came up here awhile ago that a person who has not been here does not realize the tremendous workload that a Congressman has. And what he has to go through here. I think that if each of you were not dedicated to your job and to the people that you represent and to the country as a whole, well, I am sure that none of you would be here today if you were not dedicated. I am not sure but what not all of you could make more money in some other business than you can here as a Congressman.

I thank you again, Mr. Chairman.

Mr. FOLEY. Do you only raise wheat or do you have other crops?

Mr. ALLEN. I have wheat and feed grains.

Mr. FOLEY. Do you have any oats and rye?

Mr. ALLEN. A little bit of rye; yes, sir. We started raising rye 3 or 4 years ago. Up to that time we had not raised any rye and oats in our country, had pretty well dwindled down to where we had not much of that. I do not know why it is, but in the production of crops we have not increased the production of oats as much as we have been able to do in corn and wheat and, say, maize and stuff like that, sir.

Mr. FOLEY. How much do you have in rye?

Mr. ALLEN. In rye, I believe I have about 20 acres of rye, sir. I am just a shallow water man.

Mr. FOLEY. Thank you.

Mr. POAGE. If there are no further questions, we are very much obliged to you, Mr. Allen. We will hear from you now, Mr. Redwine.

STATEMENT OF J. C. REDWINE, BOVINA, TEX.

Mr. REDWINE. Mr. Chairman and members, I am just an old cotton farmer. I am no hand at making a speech. I thought we had some levelheaded men down in our part of the country, but they sent me up here to testify. They were not very levelheaded.

Mr. POAGE. Where are you from?

Mr. REDWINE. Parmer County, Tex.

What has happened in our part of the country is that the price of machinery has gradually gone up over a period of years, and our product has gone down and it is really hurting the farmer.

A few years back you could do fine, but now you can go in and ask them to write a letter on this sliding scale and they are ready to do something. It is hurting. It is hurting the farmer and the merchant and the bankers a certain amount—not all of them—just a few at a time. First, it was the little one, now it is the middle-class banker, and next it will be the bigger one if there is not something done.

Thank you. I have a letter here that I would like to have made a part of the record.

Mr. POAGE. Without objection it will be made a part of the record at this point.

(The letter dated April 23, 1965, from the Friona State Bank, and others follow:)

FRIONA STATE PARK BANK,
Friona, Tex., April 23, 1965.

Mr. J. C. REDWINE,
Friona, Tex.

DEAR J. C.: Relative to this bank's opinion as to the condition of the farmer at the present, we are glad to inform you that it is our opinion that the farmer is getting a very small margin of profit, if any, at present.

We have asked our agriculturist and also the county agent to figure out what the actual cost is per acre grain sorghum. It is in the neighborhood of \$48 per acre and \$90 is about the average gross return. When you subtract \$30 for rent, the tenant farmer is in a squeeze and also the landowner if he owes on his land.

Each year we are sending more borrowers to the PCA and to the FHA—the PCA seems reluctant to take on many new ones, and most are going to the FHA. It is apparent that the FHA is getting many poor loans, and the solution to the problem is not borrowing, but it is imperative that the farmers have more for their products or we are going to eliminate them, the weak ones first and strong ones later. We have always had a few inefficient farmers which we were unable to continue financing, but it now includes the best farmers.

Yours sincerely,

FRANK A. SPRING.

BOVINA, TEX., April 24, 1965.

Hon. WALTER S. ROGERS,
Member of Congress,
New House Office Building,
Washington, D.C.

DEAR MR. ROGERS: I am in the wholesale gas and oil business, which the bulk of our business is furnishing farmers of this area with butane, gas and oil for their farm equipment and irrigation engines.

The cost of the petroleum products used by the farmers has risen so in the past few years, and the price of the products has not risen making the margin of profit so small that the farmer cannot make enough profit to stay in business.

We had an unusually dry year last year and the price of production was so great that the farmer had a very difficult time coming out of debt last year. This has caused a hardship on all the businesses that have anything to do with the farm economy.

I am very much interested in seeing a bill introduced into Congress that would raise the price of the product of the farmer in accordance with the increased cost of production.

Yours truly,

TOM M. BONDS, *Owner, Bonds Oil Co.*

FIRST NATIONAL BANK OF BOVINA,
Bovina, Tex., April 22, 1965.

HON. ORVILLE FREEMAN,
Secretary, U.S. Department of Agriculture,
Washington, D.C.

HON. WALTER ROGERS,
Congressman, 18th Texas District,
Washington, D.C.

GENTLEMEN: It has become very evident in recent months and years that there has been a decided narrowing in the cost-price gap for the U.S. farmer, which, I'm sure is evident by the many reductions on internal revenue tax returns of these farmers. This is certainly true in the irrigated farming areas of which we are one.

The increasing cost of "willing" labor, fertilizer, fuel, machinery, etc., plus a gradual reduction in return to the farmer has caused this squeeze.

As a banker I have firsthand information on these facts and am seeing them take place. I urge you to work toward a more liberal system of price supports and acreage allotments. Many farmers in this area are operating on a very small margin due to these facts and when we have an unusually dry year such as 1964 and thus far in 1965 or an unusual amount of hail which we had in 1963 these farmers are forced to dip into their savings to continue; and for those who do not have reserves of any nature the only alternative is to sell out and try to find a job.

If the objective of this administration is to continue this gradual reduction, I also urge you to so inform the farmer now so that he could choose the alternate of quitting now instead of hanging on from year to year, hoping for better conditions and in the meantime using up these savings.

Sincerely yours,

ROBERT ESTES, *President.*

PARMER COUNTY IMPLEMENT CO.,
Friona, Tex., April 23, 1965.

DEPARTMENT OF AGRICULTURE,
Washington, D.C.

GENTLEMEN: I am writing in the interest of the farmers of Parmer County. We feel that the prices of farm products of this county need adjusting to the ever-rising cost of production.

The farmers in this area are having a very hard time making the income meet the cost of production on their farms.

We support the views of the Farmers Union that the price support on wheat and milo should be adjusted up to meet the high cost of production.

Very sincerely,

NEWMAN JARRELL, Jr., *President.*

MR. POAGE. Are there any questions of Mr. Redwine?

If not, we are very much obliged to you, Mr. Redwine.

We will now hear from Mr. Robert Searles, of the National Grain Trade Council.

**STATEMENT OF ROBERT L. SEARLES, PRESIDENT, MINNEAPOLIS
GRAIN EXCHANGE AND CHAIRMAN OF THE NATIONAL GRAIN
TRADE COUNCIL; ACCOMPANIED BY WILLIAM F. BROOKS,
PRESIDENT**

MR. SEARLES. Mr. Chairman and gentlemen, first of all I want to thank you very much for the opportunity to appear before you and

to discuss a matter that is of quite vital importance, we think, to the agricultural economy.

My name is Robert L. Searles. I live in Orono, Minn. I am president of the Minneapolis Grain Exchange and chairman of the National Grain Trade Council. It is in the latter capacity that I appear before this committee, speaking for the many small grain markets and trade associations which make up the council.

My purpose is to transmit to you gentlemen the feeling of a large majority of those in grain marketing across the country, feelings which can best be expressed in the proposal we bring to you; that is, to redefine, through legislation, CCC resale policy, raising the present resale minimum of 105 percent of loan levels to approximately 120 percent.

I know you have heard many of the pros and cons of this issue and I will not retrace all the ground covered before. Suffice it to say that competitive grain markets and grain distribution through competition is the principal policy issue at stake.

Let us look at a concrete example of what today's situation is, and what courses of action appear to be open to us. For the sake of simplicity assume an average terminal market support price for wheat of \$1.50 a bushel and add to it today's 5 percent fluctuation or 7½ cents a bushel. Under today's resale limitations CCC can dispose of hundreds of millions of bushels when prices make this small upward move.

Consider the choices facing a farmer when he can earn somewhat better than 1 cent a month by storing the grain on his farm rather than selling in the marketplace. He sees the prospect of 14 cents a bushel additional income by storing it for a year versus a possible market gain of 7½ cents. No wonder the President's farm message refers to getting improved income out of the marketplace. The market today is prohibited from performing this function by current policy.

The other side of this same market coin is that processors look to the market in a limited way for their supplies when CCC stocks are carried for them in convenient locations and are available at prices only slightly above loan levels.

So, our choice today is to do one of two things:

1. Retain the 105-percent resale provision which forces grain in and out of CCC hands at uncalculated cost to farm programs and at unknown loss to farmers in sales; or
2. Raise CCC resale limitations to accomplish the various purposes cited in the Presidents' farm message.

In raising resale levels let's take our wheat example and see what the effect is at various resale percentages.

- (a) $\$1.50 \times 105 \text{ percent} = \$1.57\frac{1}{2}$ —or 7½ cents market freedom.
- (b) $\$1.50 \times 110 \text{ percent} = \1.65 —or 15 cents market freedom.
- (c) $\$1.50 \times 115 \text{ percent} = \$1.72\frac{1}{2}$ —or 22½ cents market freedom.
- (d) $\$1.50 \times 120 \text{ percent} = \1.80 —or 30 cents market freedom.

We know the stifling effects of alternative (a).

Alternative (b) would just barely match the storage-on-farm income which wheat producers receive just by holding their wheat for the eventual CCC takeover in the spring each year.

Alternative (c) begins to provide a possible area of market choice which would allow farmers to anticipate some higher priced market sales.

And alternative (d) a 120-percent resale policy finally arrives at a market ceiling which provides a choice and an opportunity.

This is the level we feel would not only benefit farm income—it would encourage the grain trade to begin to carry inventories of their own and processors would look less to Government stocks.

CCC takeover and resale would then be at a minimum. In years of excess production, we would see a net loan entry and in years of short supplies we would see net sales from CCC stocks. We would not see the hundreds of millions of bushels churning in and out of CCC hands each year to no avail, but at a great cost.

When we consider the possible 22½ cents a bushel additional income to farmers under our proposal in the light of program compliance or cooperation, it pales into insignificance beside present wheat certificate values and the proposed \$1.25 certificate value. A wheat farmer would be unusual indeed to turn down \$1.25 a bushel on 50 percent of his production in hope of selling 100 percent of a somewhat larger crop at the top of next year's market (22½ cents higher than today's ceiling). If he could perform this unlikely marketing feat he still would be behind financially.

I think that we should say about raising the resale policy of the Commodity Credit Corporation that this is no guarantee that a whole crop would be sold at the top of the market. As a matter of fact, as a man who has spent 20 years in the grain marketing field I could almost guarantee that no crop would go all at one price in any one year.

The feed grain producer also has incentives that are separate from the loan itself and go a long way to compel cooperation or compliance with the program. For instance, a 100-acre corn farmer who diverts 40 acres receives a \$1,575 diversion payment plus a direct price-support payment of \$756.

This is cash in hand, not a possible market return and goes a long way toward gaining program compliance which would not be shaken by moderately greater market freedom.

There are two other aspects of CCC resale price policy. One relates to a possible national grain reserves policy, a matter evidently deferred to some forward date. Resale policy, when the stocks being sold by CCC are part of a national security reserve, would certainly best be founded on a rising scale as such a reserve was depleted. However, we are not considering reserve policy now, so let me call attention to the second aspect referred to.

Before I do, I thought that I would add one more remark about this reserve policy. As you look ahead the next 2 years which would be covered by the legislation being considered by this committee, it is possible within these 2 years time that the reserve policy issue would be right upon us, that we would be depleting stocks of feed grains and stocks of wheat to a level where our national interest might say, Wait, we have to consider holding these stocks or parceling them out, and I believe that this is related to a higher resale policy.

The second is the matter of reliability and predictability of CCC resale policy. From the viewpoint of fully functioning markets the

ideal CCC resale policy is one which is clearly stated and dependable, not full of variables and unknowns. Under a predictable resale policy every segment of the marketplace can make forward commitments, whether building up inventories or making forward sales. If CCC has the right to change policy in midstream, then the grain marketing economy is driven into a defensive situation. Processors are fearful of large inventories if Government resale policy changes can bring unforeseen losses overnight. Forward sales based on an assumed CCC resale policy which is suddenly altered must also be avoided to prevent losses.

Briefly, administrative freedom to alter CCC resale policy puts shackles on the market. No one, from the farmer to the ultimate processor, can compete with the Government in the marketplace.

This principle is recognized in the basic farm loan procedures. These loans are announced well in advance of the crop year and the provisions are clear, dependable, and predictable.

Again, I believe it is a matter of record that the US. Department of Agriculture should never undercut or shortchange farmers by changing loan commitments during any crop year. This is a matter of policy.

Once the grain has been taken over by CCC the same attitude does not always prevail. The result has, over the years, been a dilution of open market effectiveness and activity and a parallel rise in CCC control and dominance over grain pricing and distribution.

Happily, the need for CCC market control seems to be on the way out. As commodity programs move from the straight price support concept to the direct payment concept, the return of market functions to open public markets becomes feasible.

In essence, this is what our higher resale policy recommendation is all about. We assume that an effective competitive marketing system for grains is a basic national asset and to preserve this asset we are recommending that Government involvement in and control over market pricing and distribution functions be lessened to a reasonable degree.

Again, speaking for many small markets and related trade associations from coast to coast, I ask you to look favorably on our proposal to raise CCC minimum grain resale prices to 120 percent of loan levels, plus reasonable carrying charges.

Mr. PURCELL (presiding). Are there any questions?

Mr. Findley?

Mr. FINDLEY. Mr. Searles, you have made an excellent statement. What is your answer to the charge that raising the resale price would increase Government costs?

Mr. SEARLES. Well, I think the assumption is that it would be—what you are referring to, Mr. Findley, is that it would be more difficult for the administrator of the program to get compliance, is this correct? And it would, therefore, cost more?

Mr. FINDLEY. Yes.

Mr. SEARLES. One aspect of this is that if you raise the resale minimum you are going to cut down on the volume of the grain handled by the Commodity Credit Corporation. You will get this effect of only having a net in and a net out, depending on the supply-demand balance in each particular year. We think that the lowering of the

activity of the Commodity Credit Corporation will be a net saving in itself.

Mr. FINDLEY. And this will result in a higher price?

Mr. SEARLES. Yes, as a matter of fact, the sales made out of the Commodity Credit Corporation stocks, under a higher resale policy, will automatically return more money to the Commodity Credit Corporation, just by the fact that it is a higher price.

There is a second way that it could benefit the program from a budgetary standpoint.

The third matter is one of compliance or cooperation.

I asked some of the fellows in the exchange to help me in a simple chart. This is simple. You have seen more complicated charts than this one. But this shows what the average farm wheat price was and how it was back in 1960. And how most of it is made up of a loan. This is in the marketplace. What you are considering, really in the farm bill that is in front of you shows a division of the receipt by the farmer for his wheat into the loan and direct payment. What we are talking about in the way of market freedom is the little area right in here [indicating] whereby the freedom of this price to move in this range which I mentioned in the statement lies in this area here [indicating] in the middle of the bar and we feel that this certificate payment here is a far greater incentive for compliance and cooperation than any return that would be obtained out of this. This would be additional income to the farmer possibly. I am not saying that we present ourselves here guaranteeing additional income to the farmer.

You spend years in the marketplace and you find that you do not know as much it as you did 10 or 15 years before.

Mr. FINDLEY. Could you estimate how much saving the Government might make?

Mr. SEARLES. Mr. Findley, you are asking a sort of a Solomon-like judgment of me.

Mr. FINDLEY. We need to get a Solomon-like judgment.

Mr. SEARLES. I would estimate that since the main activity of the Commodity Credit Corporation is taking grain over, storing it, moving it, reselling it, that that activity constitutes its main expense. This is the only logical conclusion that one can come to.

If you cut down this activity—in the Secretary's own statement he lists some figures and puts them in chart form, too—you will recall receiving this about 3 weeks ago—it shows literally hundreds of millions of bushels going in and out. This must have a cost factor.

I have never seen recent cost analyses of what it takes to operate the Commodity Credit Corporation and how much of it relates to the volume that they handle, but I would assume that if you were to cut down this massive volume of in and out you should save money. And if you further emphasize that all resales will be at a higher price, you would again tend to recover costs. So this is both money saving and I am not presenting this as all of it. It is not. There are probably some other things, another side to this coin. I must say in the cost analysis of the Commodity Credit Corporation that would be of interest.

Mr. FINDLEY. You mentioned the national strategic reserve here. Does your National Grain Trade Council support this concept that the Federal Government should own a minimum amount of grain?

Mr. SEARLES. Yes. The National Grain Trade Council has made in a general way a proposal relating to the national security reserve. The recommendation is that these be established and identified and then a means provided to parcel them out at times of future need.

In other words, they should not be completely insulated from the market. They should be available for use in times of national emergency, whether that emergency is a crop failure here or abroad—whatever it may be. That policy should be established. And a resale policy covering those facts should be adopted, we think.

Mr. FINDLEY. Thank you.

Mr. PURCELL. Mr. Callan.

Mr. CALLAN. Do you think that a corn price of \$1.50 a bushel—

Mr. SEARLES. I am sorry, I cannot hear you.

Mr. CALLAN. Do you think that corn would go up to about \$1.50 a bushel?

Mr. SEARLES. This would depend on a good deal of judgment. You will notice that the word "approximately" is in there on the 120 percent.

Mr. CALLAN. Would you think that it would get up to about \$1.50 a bushel?

Mr. SEARLES. It would depend on the supply-and-demand conditions of a particular year. If you had a bumper corn crop I do not believe it would.

Mr. CALLAN. I would like to use an example. In your figures you give \$1,575 as the diversion payment.

Mr. SEARLES. Yes.

Mr. CALLAN. And a support price of \$756?

Mr. SEARLES. Yes.

Mr. CALLAN. And he could plant 60 acres of corn on that 100-acre base?

Mr. SEARLES. Yes.

Mr. CALLAN. Let us assume that he averages 60 bushels of corn per acre and with loan at \$1.05 he would get \$3,787 from that. He would get \$1,575 from the diversion payments. He would get \$756 from the price-support payment. That would be a total of \$6,111.

Now, let us assume that corn would get up to \$1.54 and that he planted 100 acres. He would get 60-bushel-per-acre yield. He could get a gross of \$9,240. Under those circumstances do you think that you would get compliance?

Mr. SEARLES. I will have to do a little bit of plagiarism here, Mr. Callan. My example is taken out of the USDA Bulletin No. 4246-64. And for simplicity's sake, I am sure that they put it out this way themselves; and, equally for simplicity's sake, I took it. I can refer you to this document or pass it up to you, if you would like to take a look at it. It develops the alternatives.

But in answer to your question you would have to have a distinct shortage of feed grain of all types, not just corn, in order to get a sharp advance up to the ceiling. As I said before, there is in a free market concept, even if it just encompasses 20 percent of the loan price—there is no guarantee that it will either be at the bottom end, the top end, or stay in the middle. This is an area of freedom and, apparently, opportunity for the farmer.

I would doubt that the farmer could sell all of his stock at the top of such a range.

Mr. CALLAN. He might get up to \$1.40.

Mr. QUIE. Will you yield?

Mr. CALLAN. Yes.

Mr. QUIE. Where do you get the \$1.54?

Mr. CALLAN. I have some figures that have been put out by the University of Nebraska, which have \$1.20 for corn, and a premium rate of 3 cents, and \$1.05 plus his own carrying charges is \$1.38. The figure that they gave me then increased the farmer's prices as proposed under the statement here which is \$1.54.

Mr. QUIE. What or where do you get the \$1.20—is that the national average?

Mr. CALLAN. \$1.05 plus 15 cents.

Mr. QUIE. Where do you get the 15 cents?

Mr. CALLAN. That is your percentage.

Mr. QUIE. I understand it is the intent that it would be 20 cents, which with the \$1.05 would be \$1.25 support level price. That is 105 percent of the loan value, which is \$1.05. So you take 120 percent of the loan value, of the loan level, which would be \$1.26.

Mr. CALLAN. What I am trying to get at here is if corn got up to \$1.40 a bushel.

Mr. QUIE. How does it get up there if the Government is selling on the market at \$1.26 plus the carrying charges? You would have to add something to that.

Mr. CALLAN. In Nebraska right now it is selling for \$1.32. And this is 105 percent on that basis. If you increased it to 120 percent above the 105 percent, it will go up to, at least, \$1.40.

Mr. QUIE. The price is not \$1.32 because of the resale formula. The Secretary has been selling corn on the market and holding the price down. He admitted that. In fact, the sales this year are there to prove that. So I think that you start out with an assumption that it is not valid when you say \$1.40.

Mr. SEARLES. If I may, sir, what Mr. Quie is saying is that today's Commodity Credit Corporation sales are not just at 105 percent. So if you build on today's sales price in a particular county that you are referring to it may lead you into the error he is suggesting.

Mr. CALLAN. It would increase the resale price.

Mr. QUIE. The price support is pretty high right now, according to the formula. The resale formula, and the resale formula I would anticipate would be based on the national average—on the loan value and it would approximately come to about \$1.32.

Mr. CALLAN. That is \$1.36.

Mr. QUIE. What do you mean, \$1.36 on the sample that you have?

Mr. CALLAN. It would go up to \$1.36. You would go to \$1,700. You still are going to \$1,700, you are still going to have that much more if corn goes to \$1.36.

Mr. QUIE. Corn is \$1.32.

Mr. CALLAN. If you get the price of corn up too high, are you going to get compliance?

Mr. SEARLES. I think it has been proved, gentlemen, that compliance is at a level today which results in a fairly high cost. This may be a partial answer to your question. It is probably a question to which

the answer is not exact. It would be very hard to give you a prediction, an accurate and definite one, because I guess none exists exactly.

Mr. DOLE. Mr. Searles, in your statement you made a distinction between your recommendation on wheat and feed grains, did you, or does it apply across the board?

Mr. SEARLES. The statement carries it across the board. I recognize, though, that the two programs are different. The Grain Trade Council recognizes that the two programs have different facets in them.

There may be a value judgment between feed grains and wheat which would have to be exercised. We are not recommending that we know the value judgment.

Mr. DOLE. I think another argument is made by those who grow that any increases that this would help would be to the storage interests but would not help the producers. Do you have any comments on that?

Mr. SEARLES. I do not think that the storage interests are going to get one more bushel advantage. As a matter of fact, the grain trade itself, instead of storing grains for the Government, would tend to be carrying more on their own account, which would take it out of the taxpayers' account. There would be a general buildup of the stocks in private channels, all the way from the farmer on through.

Today, as we have seen, where incentive is very low the Commodity Credit Corporation carries the grain stocks of the United States.

Mr. DOLE. The point is then that argument is not a valid one?

Mr. SEARLES. I would say that it is not valid to say that this is any advantage to the person storing grain. It is not related to this. If anything, it would cut down on their earnings for storing Government grains, it would tend to lower it.

Mr. DOLE. Would there be more farmers doing that?

Mr. SEARLES. Middlemen are always fewer than other people are, yes.

Mr. DOLE. Thank you.

Mr. POAGE. I just want to pursue that a little further, Mr. Searles. We had testimony here yesterday that all of these stocks of grain we had on hand would, probably, just stay in storage from now on out and the witness suggested that within a few years the storage would cost more than the grain was worth, but he said, "That is all right."

How much do we have now in Government storage, about a billion bushels?

Mr. SEARLES. Just prior to takeover period, if I can just generalize, it was very close to 700 million bushels.

Mr. BROOKS. The lowest owned by the Government as of April 9 was 599 million bushels.

Mr. SEARLES. You are right.

Mr. BROOKS. It will go back up a couple of hundred million on the takeover period.

Mr. SEARLES. It will run about 800 million.

Mr. POAGE. How about feed grains?

Mr. BROOKS. We do not have the total figure for feed grains, but we do have it on the corn total—most of this is stored, much of it is stored in Government bins, very little in commercial warehouses—622 million as of that date.

Mr. SEARLES. Nineteen million bushels of barley, 30 million bushels of oats, 542 million bushels—that is in bushels.

Mr. BROOKS. Yes, that is.

Mr. SEARLES. 542 million of grain sorghums.

Mr. POAGE. Is that Government owned?

Mr. BROOKS. This is in commercial warehouses and in Government facilities.

Mr. SEARLES. This is the Commodity Credit Corporation statement, yes.

Mr. POAGE. I say is that Government owned or other than Government owned?

Mr. SEARLES. Government owned.

Mr. BROOKS. Government owned.

Mr. POAGE. How much is the loan?

Mr. BROOKS. Wait a minute—I have got that here. The loan total put under support to March 31, 1965, 14 million barley-sorghum, 7 million corn, 6 million flax, 39 million oats, 5 million rye, 28 million beans, 194 million wheat.

Mr. POAGE. It is fair to say that it is something like 2 billion bushels of wheat and feed grains?

Mr. SEARLES. It could be.

Mr. BROOKS. I do not think so.

Mr. POAGE. What do you think it is?

Mr. BROOKS. Let me take a look to see if they give a total I would say about 700 million total.

Mr. SEARLES. You are talking of wheat now.

Mr. BROOKS. On wheat.

Mr. SEARLES. He was asking about all grains.

Mr. BROOKS. 194 million on wheat.

Mr. SEARLES. That is under loan. What Mr. Poage is referring to is the total grains in storage.

Mr. POAGE. That is what I am talking about, whether they are Government owned or otherwise.

Mr. BROOKS. A composite of these.

Mr. POAGE. Yes; wheat and feed grains.

Mr. SEARLES. You put it all together, that is, if you do, you are right, it would run to 2 billion.

Mr. POAGE. It would be somewhere on the order of 2 billion bushels. So that storage has to be paid on that amount. If we adopted this program which has been suggested, this grain would stay there—that is the suggestion that was made by the witness. And the Government would pay the storage on it. And in 4 or 5 years the Government would pay more storage than the grain is worth. And he said that would be all right. Do you approve of that kind of philosophy?

Mr. SEARLES. I do not approve of that type of philosophy, except as it relates to national security reserves. And if policies were set up and if it were the wish of Congress to determine that this Nation should carry x amount of bushels of wheat, corn, sorghum, et cetera, then that portion, probably, is a national defense item and you would have a carrying cost involved in that.

Mr. POAGE. What will it have to do with the market price? We have 2 billion bushels of grain. What effect does that have on the grain market?

Mr. SEARLES. If it were carried as a reserve, Mr. Poage?

Mr. POAGE. I understand that you put a stamp on it, but it does not change the character of it. The cost is the same to carry it as if you put another label on it. It does not change anything except that you put a sign up here stating "This is reserve."

Now, what effect does it have or is it going to have on the market?

Mr. SEARLES. It would depend on the resale or the redistribution provisions in the law, and if the law said that it were to be all sold out, then it would have that effect on the market. If the law said that a certain portion of it were to be kept, then the terms of that resale provision would affect the market as the terms are written. Today, sir, they are 105 percent as a minimum, with nothing as a maximum, and those are the terms which affect the marketplace today.

Mr. POAGE. I have been told that if we would store 10 million bales of cotton that it would raise the price of the cotton 50 cents a pound, and all of that sort of bunk. I have always observed, or at least I thought that I had observed that whenever you got this grain or this cotton or any other commodity in storage, that the man who is buying knew where every bale of cotton was or every bushel of grain was, and he added that to the total available stocks and it had a depressing effect on the price.

Mr. SEARLES. You are absolutely right. That is because it is always for sale.

Mr. POAGE. Now, then, this is the reserve, you are going to invest your money in it. Are you as a grainman going to invest money in buying somebody else's grain just as if those 2 billion bushels did not exist, knowing all of the time that the Congress—the same Congress that put the sign up there—has the right to tear it down any day that it wants to? Are you going to pay out your money and have your clients put out their money on a deal of that kind?

Mr. SEARLES. Well, if you are asking me if a variable policy by the Government would lead to my carrying stocks or anyone else's carrying stocks, I guess that my answer would be "No," because this is what we have today.

Mr. POAGE. I am telling you this, that if you knew when you went into the thing that the same Congress that put that sign up has the right to tear it down any day in the year, that you cannot pass legislation that will deny to the Congress the power in the future to tear that sign down and put one up saying, "This is for sale."

Mr. SEARLES. I guess that the farmers and right on thorough the grain trade, the processors and everybody else, would all know when that moment came, and the policy was going to be changed. You are right, sir.

Mr. POAGE. And they all know that the very first day that it can be changed.

Mr. SEARLES. This is right. It actually refers to the factor of reliability and predictability which I referred to in my statement and is needed so badly in the grain market, just in this little are of 20 percent in order for the trade to do just what you are referring to, to carry stocks to do their own business without looking to that stockpile. I think you are right in what you have said.

Mr. POAGE. All of my life I have heard people say that if you just put our surplus in storage that prices would go up. Unfortunately,

as I have lived longer, I have come to the belief that you cannot perform that type of thing.

Mr. SEARLES. Yes, sir.

Mr. POAGE. And that if you do, this is an optical illusion, because the crop is still there. I do not believe that the great grain firms of the United States are taking any such gamble as that. I do not think that they will do it in the future, either. I think that when you pile that grain up there in somebody's elevator, you know that it is there. You take into consideration that fact, if it is 1 or 2 billion, or any other figure that you want to take. If it is 2 billion bushels of grain sitting around over the country with these signs on the warehouses, "Do not touch this," thereby you are simply going to depress the market, and the farmers are going to get less for what they produce next year, rather than more.

Mr. SEARLES. If I may, sir, try to put an evaluation on what I have said about the reserves, this is the policy which would have to be set by the Congress. Conceivably, the Congress might say that there is no reserve policy of the United States for grains—there shall be no reserve and if they set this policy, then the existing stocks in Commodity Credit Corporation hands would be sold right down to zero. I kind of wonder whether this is the national policy today to sell all of our grain stocks down to zero, taking Secretary Freeman's program and its effectiveness into account. And we have discussed this, you and I, and it has been effective to reduce some stocks. And if they continue to be reduced I really have the question which I am asking not just of you gentlemen, but I think the Nation would ask of all of Congress, is it the policy to sell every last bushel owned by the U.S. Government?

Mr. POAGE. That is not the question that I am raising.

Mr. SEARLES. This is a sort of question as to the reserve stocks; what level do you put them at?

Mr. POAGE. I do not think that is the question at all. I agree with you that we probably will not sell down to zero.

Mr. SEARLES. That is a question of what is the reserve stock.

Mr. POAGE. But you gamble on facts at present without anybody putting a sign up, "This cannot be sold." You simply use your judgment there as to how far the Government will go. You will continue to use your judgment regardless of whether Uncle Sam puts a sign up or not—that is all I am saying.

Mr. SEARLES. That is right.

Mr. POAGE. You are going to use the same judgment that you use today. The posting of that sign is not going to change anything. That is all I am saying. That is the only point I am making. I do not think the U.S. Government is going to sell CCC stocks of grain down to zero. I do not believe it is, whether they post a sign up there or whether they do not.

Mr. SEARLES. Yes.

Mr. POAGE. I do not think that you think so, either.

Mr. SEARLES. I think, eventually, a reserve stock policy will be set. The administration says it would like to have separate legislation. Supposedly it is coming in at some future date to define this. Apparently the grain trade thinks it needs definition and under whatever rules the Congress sets you are right, the grain trade will then govern itself accordingly. I assume that once the policy is set, yes, it can be

changed, but only by congressional action and you can anticipate such changes. Today the changes are administrative. Frankly, gentlemen, the changes come overnight. They come just like that [snap of the finger] and what the effect on the trade has been is that the changes in policy on how to sell or not to sell what the Government owns is what drives the trade out of the marketplace. The trade does not carry the stocks and the taxpayer does and this is one of our points.

Mr. POAGE. We have built up big stocks of strategic minerals and the like. This was done some time ago. We immediately began getting complaints from people who produce lead and zinc and copper and diamonds and several other materials that we were breaking their markets. They complained to us that we were destroying their business, because the Government had these reserve stocks. Now, maybe it did not hurt their business, but they were talking about the effect on the economy.

Mr. SEARLES. It is a difficult thing.

Mr. POAGE. We were told that we were breaking the market. Maybe it did. Maybe those people got excited, but they all said that it hurt their markets. Everybody who was in the business. I do not think that it would work any differently with grain and cotton than it did with those materials.

Mr. FINDLEY. I agree with what you have said on this subject. That is the reason that I want to ask Mr. Searles this question on the national reserve. I feel that if he is really determined to strengthen the private merchandising system for grains—and I am sure he is—the idea that the Federal Government should own a certain minimum amount of grain is dangerous and unwise.

Mr. SEARLES. I guess, Mr. Findley—

Mr. FINDLEY. Once we accept the idea that Uncle Sam ought to own a certain amount of grain that amount will be subject to review by political forces. If the market price goes up, then there might be great pressure to release some of this reserve. If the price goes down, then there will be pressure to increase the minimum reserve under the guise of national defense but actually to bolster prices. I hope that your council will take another look at this minimum reserve concept.

Mr. SEARLES. We have examined the risks and there are risks on both sides. We are not blind to them. We just feel that the policy to date has really not been set; that the policy should be as you are suggesting, that just commercial stocks be carried and the Government carry zero.

Mr. FINDLEY. And that we get the Government clear out of the business.

Mr. SEARLES. This would be a policy. And if it was stated, everybody would know that this was the policy and it would be all right.

Mr. LATTA. Mr. Searles, I would like to state for the record that I favor your position on this. I think it is just as wrong for the Federal Government to fail to lay in a reserve of commodities such as wheat and corn, et cetera, for national defense as it would be not to stockpile strategic ores and minerals and the like. A national emergency stockpile is important. It is important for the Federal Government to lay in a reserve of commodities to feed our people should we have a national emergency. I support your view, although I think there should be a reasonable limit on it.

We now have 2 billion bushels of grain. That is not a reasonable amount. I think there ought to be some regulation as to how the

Government can release these stocks and whether it should increase or to decrease them. I think that this can be provided for by the Government. I hope the time does come when we will sell all of our surplus stocks and maintain only a national emergency reserve of the same.

Mr. REDLIN. Mr. Searles, I was wondering if you would describe an example of one of these administrative changes that you said can now be made by administrative action overnight which is unpredictable, whereas by congressional policy it could be predicted.

Mr. SEARLES. I can give you an example of just one sudden change in policy. It took place in mid-October, I believe, of last year, when the Government had been selling Spring wheat which is grown in the upper Middle West, the Dakotas, Montana, and Minnesota and had been selling it at the formula price of 105 percent. The trade had adjusted itself, as Mr. Poage has suggested they always do, and you are right, Mr. Poage, the trade will adjust itself to existing conditions. On a particular Friday afternoon, I believe, after the market had closed, the Department of Agriculture announced that there would be no further sales of Spring wheat in the marketplace. I want you to visualize this in a price chart. I do not have the chart in front of me. Let us just say that this 105-percent level were here [indicating] and this is the policy one day and the next day I cannot draw the chart for it, because the price went to infinity—it went right through the ceiling. You could not buy Spring wheat from the U.S. Department of Agriculture or the Commodity Credit Corporation at any price. There is an example.

Mr. REDLIN. Thank you.

Mr. QUIE. I know that Mr. Poage will be embarrassed when I say that I certainly agree with him. I get kind of worried about this program [laughter]. Looking at the Commodity Credit Corporation stocks on hand, I think that we ought to set aside some strategic stockpile of grains. And I believe this of other commodities, too.

I agree with Mr. Poage, taking into account the stockpile of copper and everything else, if these stocks were not there and if we had none in existence, the price would be higher—it does affect price because the trade knows that the Government can at any time take action to release some of the stockpile. The experience of the Government in releasing some of the commodities in their strategic stockpile; that is, the first initial result of that sometimes is a very disastrous result on price.

I remember corn oil of which we were keeping a supply on hand and it practically went to a low value, indeed, because something was done with it. I am not blaming the administration of the present. It happened in the past.

I think you made a good point there, that when you do not know what their policy will be, that is, the fact that it can be 105 percent. It can be a higher figure—we do not know how high it will be—and it is really disastrous to the market at times. They ought to tell us their policy ahead of time as to what they are going to do.

What worries me is that if we, however, set the resale formula at 120 percent, there would not be any grains sold from Government stocks.

You indicated in your statement on page 3 that they would receive 100 million bushels turning in and out of the Commodity Credit

Corporation hands. I think in these 2 days we have talked a lot about the fact that it has sold a great deal, but we have not pointed out the amount that the Government has secured title to at the same time, going in and out. Do you have some figures on that?

Mr. SEARLES. That is one of the facts of this, Mr. Quie, that is, the effect of a relatively low-price sale—and I guess that we have to call 105 percent selling policy relatively low-price sell, because it does have this effect—it has the effect of taking the market decision away from the farmers. They decide to leave grain under loan instead of redeeming it and selling it into the marketplace. So if you look back into previous years—this is from the Secretary's testimony—1960–61, the Commodity Credit Corporation sold 226 million bushels of wheat but it took back 250 million bushels. You ask yourself, what was accomplished by the sale of 226 million bushels of wheat when you reacquire 250 million bushels of wheat. In some years, for instance, when Russia and Red China—a year and a half ago—were in the world wheat market and they needed wheat and they had to get it, they bought it from every source that they could, and we had a better picture, and this is more our idea of the ideal for commodity activity. Here the sales were 342 million bushels of wheat and they acquired 57 million bushels of wheat—57 million, let me repeat. There is a reasonable overlap. You could never get it just to a net figure where they were just selling wheat or just buying it in the same quantity. There will be some overlap always. But here was a definite depletion of Commodity Credit Corporation stocks due to an increase in world demand. And it had a net effect on the commodity stocks. But when you get, for instance, as the year before, there were sales of 209 million bushels of wheat and acquisitions of 225 million bushels of wheat, I ask you whether this is good from a budgetary standpoint. Just from the point of view of the taxpayer. This must cost money to churn all of this wheat in and out of Government stocks.

Mr. QUIE. If we increased the resale formula to 120 percent there would be no Government sales on the domestic market unless the market price raised above that?

Mr. SEARLES. That is right.

Mr. QUIE. However, the sales then to the foreign trade, where the exporter secures the Commodity Credit Corporation stocks, then there would be an export subsidy. Would this in any way change this at all?

Mr. SEARLES. Not at all. As a matter of fact, as the export business went forward the movement of Commodity Credit Corporation stocks in the form of a subsidy in kind—payment in kind—does move Commodity-owned grain into export, and this would go on.

Mr. QUIE. So if we had price-support loan of \$1.82, and then the resale formula at a price a little bit higher than that, you would still not have a substantial dollar saving.

Mr. SEARLES. Yes, as a matter of fact, it has been national policy to adjust the domestic retail prices to the world market in order to make these sales. This is how you export wheat. This is how you get it into the world market. In years past you could not take the domestically produced wheat and sell it to the world market because they were two different price levels.

Mr. QUIE. Then if we had a farm program in which the production was not greater than the consumption, that is, the domestic consump-

tion for food and for feed or for export, then it is possible that there would be a net reduction of Government-owned stocks, even though the domestic price never went higher than 120 percent.

Mr. SEARLES. That is right. You could easily find that situation where the acreage and the production control features of the program were effective. You would find demand for both domestic and export totaling enough to draw down stocks and it would do just this. There would be no change in that.

Mr. QUIE. And then if we had a program or if we had some people comply and some did not comply, the complier would, perhaps, take a loan on his wheat and the noncomplier would either have to sell immediately or to store it.

Mr. SEARLES. They would have the ability to do this.

Mr. QUIE. So that at a later date if the market price increased, then both the noncomplier and the complier would benefit alike, would they not?

Mr. SEARLES. That is right. The market would move the same for any farmer.

Mr. QUIE. So that the complier would be able to redeem the cost at a price higher than the \$1.25—if that was the amount set on the domestic—would be in addition to this?

Mr. SEARLES. This is right.

Mr. QUIE. So that the program would be just as beneficial to him the next year as it was this year or in the year that he complied with the program.

Mr. SEARLES. Yes.

Mr. QUIE. However, if the Government lent money at harvesttime, they would be able to receive this money back and the interest on the money.

Mr. SEARLES. That is right.

Mr. QUIE. So then the program would be working as it should. The Government would make money and it would be redeemed within the same year?

Mr. SEARLES. That is right.

Mr. QUIE. I appreciate your testimony. From all I have seen in the proposals of increasing the resale formula and then going to the market to have it function as it should it will greatly enhance the operation of the program rather than harm it.

Mr. SEARLES. It could very well release money for other purposes.

Mr. QUIE. I would say, also, that it would meet with approval by the taxpayers of the country.

Mr. SEARLES. Yes, sir.

Mr. QUIE. Much more than the present program does. Thank you.

Mr. FOLEY. In your proposal to increase the resale price is it designed to cut off the possibility of Commodity Credit Corporation resales?

Mr. SEARLES. Not to cut them off—to limit them.

Mr. FOLEY. To limit them?

Mr. SEARLES. Yes, or to limit them in the sense of the price—not in the quantity.

Mr. FOLEY. But in terms of expected results it would limit it?

Mr. SEARLES. In terms—if I may draw a simple example—let us assume a crop of 1 billion bushels of wheat and a total demand of 1,100 million bushels of export plus domestic demand, the Commodity

Credit Corporation would sell that difference of 100 million bushels which would come out of their stock, and assuming a sort of a model situation where you have 1 billion bushels produced and 1,100 million demand, the 100 million would come out of the Commodity Credit Corporation stocks.

Mr. FOLEY. Do we have that?

Mr. SEARLES. Each year it stands on its own feet. A couple of years ago we had a decrease of the Commodity Credit Corporation stocks of several hundred million because of the Russian and Red China demand in the world market and the European demands, too.

Mr. FOLEY. That was an exception.

Mr. SEARLES. Evidently, it was unforeseen, but there it was. It could happen again. As a matter of fact, as an interesting sidelight to this, I had lunch with the Secretary of Agriculture just a few weeks after he returned from a very complete tour of Russia. And we talked about crop conditions in Russia. There was nothing unusual noted by him or his observers. I think it was something like 10 days later that Russia and Red China were in the world market to the tune of hundreds of millions of bushels of wheat. So this is very hard to predict.

Mr. FOLEY. Do you have any predictions that if we provided the 120 resale price that Government stocks would go up or down?

Mr. SEARLES. I do not think it would govern the situation, Mr. Foley. The question of whether stocks go up or down is related to other factors. It is related to the effectiveness of the control of production under the program. It is related to the total demand for wheat. And it tends to be a fairly steady demand and inelastic in the United States. So you are really talking about the expansion of the world market.

Mr. FOLEY. You have to make some judgment based on the fact that Government stocks may go up—do you have any estimate yourselves as to whether there is a real danger or a momentary danger?

Mr. SEARLES. I do not think so. The resale price recommendations we are making to you are really not a factor in what you are talking about. The factors are whether you would be able to sell additional wheat into the world market or not.

Mr. FOLEY. Would you now say that it is one of the factors?

Mr. SEARLES. It is almost nonexistent in the domestic market. Our experience has been that we have consumed, for all purposes, roughly, 600 million bushels of wheat. This stays about the same year after year, year after year. I do not think that the market is going to affect this disappearance of wheat or the resale price will. As a matter of fact, I do not think that any one would contend that.

As far as the world wheat market is concerned our policy is to equate our market price to the world price in order to sell it. So there again you are talking about a factor of no effect.

Really, the important thing is, does the world have enough wheat? If it does not have it, they will buy it. If they do have it, they will not buy it.

Mr. FOLEY. And Government stocks would go up?

Mr. SEARLES. The Government stocks will only go up if the production is greater than the total disappearance—the total demand. I am afraid that none of us can forecast that accurately. I am sorry, but it is just a point that someone cannot do.

Mr. FOLEY. In summary, you are suggesting that the proposal has no connection with relation to Government stocks?

Mr. SEARLES. I do not think it has so far as we are concerned. It would virtually have no effect on whether the stocks go up or down. The other factors are more important. They are the main factors. The main ones. How much wheat do we produce and how much does the world market need? They are the questions that need to be answered. And they are answered each year because of different circumstances.

Mr. FOLEY. Do you think that the 120 percent resale would push it up any further?

Mr. SEARLES. I think that the farmer's return in the marketplace would be improved. I would not predict that every farmer is going to sell all of his production at 120 percent resale price. This is just not the factor. I would be trying to deceive somebody if I said that.

Mr. FOLEY. My question is, would it tend to increase?

Mr. SEARLES. It would tend to go up, but there would be no guarantee of this. You might have a bumper crop some year, not only here but abroad, too, and our exports would fall off and you might find that the grain prices would move very little.

Mr. FOLEY. You are saying that other factors could change the results, but assuming that there was relative equality in the present circumstances how would it tend to do this?

Mr. SEARLES. I think that the tendency would be to make the domestic grain market slightly higher. And we are only——

Mr. FOLEY. Insofar as a disaster is concerned, it would tend to shorten the advantage of the cooperator?

Mr. SEARLES. I do not think that the degree of market freedom that we are speaking about will affect cooperation or compliance, but this is a value judgment which must be made by others. This is my view—the view of many in the grain trade. There are other views, obviously.

Mr. FOLEY. As to the economics of it, would not the total grain economy be benefited by this?

Mr. SEARLES. I think that the producers would have more choice in marketing their grain. It would be less of an automatic thing of putting the grain into the loan and just getting the Government to take it. Along with the choice, comes the opportunity to earn more income in the marketplace.

The other economic aspects would be that it would cut down the Commodity Credit Corporation needs to carry stocks. The grain trade itself, I can guarantee you, will carry more stocks under our proposal than they do today.

Mr. FOLEY. And they would have an economic advantage?

Mr. SEARLES. They would be economically required to do this. They would be required to carry this out.

Mr. FOLEY. There is no assurance that the economic factors would equate into dollars and cents, is that what you are saying?

Mr. SEARLES. As a matter of fact, in the grain trade there could be some who would find that they were making less money under this. There is no guarantee.

Mr. FOLEY. What I was getting at is this: What is your estimate as to the possible income benefits to any element in the trades economy? Which do you think it would help?

Mr. SEARLES. It starts with the producer, Mr. Foley. And I think that the producer has an obvious advantage in making some sales at a higher price in the marketplace; and, therefore, improving the rural income. That is an obvious conclusion. He cannot take any less than he gets today, because of the loan guarantee.

Mr. FOLEY. You say that it would give him a choice. Would it give him an economic benefit?

Mr. SEARLES. Again, he still has the choice, but the choice does not go up. It just goes on the up side.

Mr. FOLEY. You say that you think that the storage people would benefit from this?

Mr. SEARLES. The net effect that I would believe is that the storage people would be carrying stocks for their own account to a greater degree than they do today, and this would be a net loss in Government stocks that they are carrying. So far as I can see they would be competing in the marketplace to earn their living as grain merchants more than they are today. That is as honest a statement as I can make.

Mr. FOLEY. I really cannot believe that you are here today to suggest this change without a feeling that it was economically a benefit at least to some section of the feed grain economy. I am having a hard time to believe that it will not benefit anybody.

Mr. SEARLES. Oh, yes; it will benefit the producers. It will benefit the grain trade itself. I would be silly to say that it would not. Only in the degree that it provides an opportunity. It does not guarantee a thing, but it provides an opportunity and the choice would be there as to whether to buy wheat or barley or oats. And what you would put in your elevator. What is the market for it? These are the decisions to be made.

Mr. FOLEY. Is not the primary motive profit for you in this? Is that not it?

Mr. SEARLES. I would hate to deceive anybody to say that I was here under some altruistic motives. This is our business, grain marketing, and today it is so invaded by Government policy that we feel that we have to say so, but there are other aspects of this because the free market does not benefit just us.

Mr. FOLEY. I want to compliment you, Mr. Searles. I have had some experience as a trial lawyer, and I appreciate your position in presenting the position of your association and your ability in doing so. I appreciate your candor in saying that it is a profit motive for your being here and the reason you are testifying here today.

Mr. PURCELL. Mr. Searles, let me ask you a question. If we get the 120-percent resale formula and if we have a strategic reserve—and we have been talking about the cost of that, and the grain going in and out—and we would get so many million bushels of wheat and just put it in there and leave it forever, is that it, or would you rotate it in and out?

Mr. SEARLES. Mr. Chairman, the responsibility for keeping the grain stocks in good condition is that of the warehouseman and he does it very well.

Mr. PURCELL. I understand that, but the fact is that it has to be rotated.

Mr. SEARLES. This is standard operating procedure.

Mr. PURCELL. The fact is that it would be done; right?

Mr. SEARLES. Yes, sir.

Mr. PURCELL. Now when you do that, it costs money; does it not?

Mr. SEARLES. The warehouseman does this on his own for the fee he gets for storing it, but he will do this.

Mr. PURCELL. This fee is based on how much rotating he has to do, is it not?

Mr. SEARLES. No, no. It is a uniform grain storage agreement fee.

Mr. PURCELL. Do you mean to tell me that the grain storage man does not figure in the number of times that he has to rotate it?

Mr. SEARLES. He has to operate the elevator.

Mr. PURCELL. Then it is a form of cost?

Mr. SEARLES. Yes, yes. It is not additional over what exists today or has always existed in operating the grain elevator.

Mr. PURCELL. We have never had a situation where it was held for ever off the market. So the rotation of this grain would be a part of his fee that he would charge; would it not?

Mr. SEARLES. That is right. And, conceivably, the cost could be a Defense Department cost.

Mr. PURCELL. It is Government money, anyway, is it not?

Mr. SEARLES. Yes; that is right.

Mr. PURCELL. Now then, do I understand that the situation in the foreign trade on grain to be such that regardless of what the domestic price of wheat is that the foreign sales are made disregarding this domestic price?

Mr. SEARLES. The Department of Agriculture sets a subsidy rate which equates this domestic market price to the world market price and, in effect, this really controls the exporting of various classes of wheat—of wheat in various positions. For instance, the Department may want to encourage the movement of wheat off the west coast at a particular moment rather than the gulf coast. They will set the subsidy rate so that it will encourage this movement. So this is an equation.

Mr. PURCELL. Based on whatever the price is down there to that price, and the Department of Agriculture and the State Department and everybody else involved agrees to that, that is the price?

Mr. SEARLES. Yes; that is right.

Mr. PURCELL. And the domestic rate is relatively unimportant under those circumstances.

Mr. SEARLES. Well, it is the beginning building block, but finally, it is always adjusted to the world price in order to sell the grain in the world market.

Mr. PURCELL. So, actually, whatever the price is increased by raising the resale price to 120 percent that would be pretty well diluted by whatever sales we have?

Mr. SEARLES. This would depend on the foreign sales; yes, sir.

Mr. PURCELL. So, we are really talking about the price of the domestic wheat when we are talking about raising it from 105 to 120 percent?

Mr. SEARLES. Yes, sir; the domestic market.

Mr. PURCELL. And under the proposal by almost everybody that has introduced any legislation in this fashion we are proposing to raise the price of wheat to the miller to about \$2.50 as of now; right?

Mr. SEARLES. The support price, plus the certificate, does have that value; yes, sir.

Mr. PURCELL. So then if there is an additional price that is brought about by the raising of the resale price from 105 to 120 percent we are, really, talking about the price of domestic wheat?

Mr. SEARLES. We are talking about a possible additional part—being an additional 22½ cents.

Mr. PURCELL. We are making the price of the wheat to the miller about \$2.70 or \$2.72 or whatever it is?

Mr. SEARLES. I would not say that the price of wheat bought for milling would all go at that top price. As a matter of fact, you could find years where it would never reach this top.

Mr. PURCELL. You used the figure of 22½ cents. That is your figure?

Mr. SEARLES. That is a rough model figure. I agree, yes, this is in order to simplify the discussion that I have used that figure.

Mr. PURCELL. This of course would presumably be taken up by the consumer?

Mr. SEARLES. Yes, sir; anything paid by the miller as the market price for wheat has to end up in the price of his product, just as the certificate value has to end up in the price of the product.

Mr. PURCELL. You feel like this certificate is a bread tax, do you?

Mr. SEARLES. I did not say that, sir.

Mr. PURCELL. I did not ask you what you said. Do you feel that?

Mr. SEARLES. I feel that it is a change in policy in the way of paying for a particular commodity program. It is an interesting question. I was not ready to answer that.

Mr. PURCELL. Well, do you consider that the bread tax complaint is a pretty good weapon to whip the thing down with?

Mr. SEARLES. I had not thought of it as being a weapon, no, it is just a policy judgment. I might decide that payments out of the Treasury would be better than collecting the cost of that commodity program via the processor. This is a judgment. May I ask that I not make this judgment, because I am not prepared to do so?

Mr. PURCELL. We heard a witness here yesterday say that this bread tax was a good weapon against the program, did you not?

Mr. SEARLES. Yes; I understand that it is used as a weapon against the program.

Mr. PURCELL. Yes?

Mr. SEARLES. People have used it this way. I guess that is all that I can say. As I say, I am not claiming one or the other. The question of whether the cost of the commodity program comes from the consumer or comes from the Treasury or comes in varying degrees from the Treasury and the consumer is one that is really a national policy decision that is hard to arrive at. I think it would be difficult for Congress to arrive at it.

Mr. PURCELL. I can assure you that it is. [Laughter.] Now under the proposal with the loan price of \$1.25 or \$1.30, plus the certificate, all of the wheat needed for the domestic use will be paid for by the

consumer at a cost of about \$2.50, raising the price of bread maybe 1 penny per loaf. Now then what you propose to do, seems to me is like you will have an average that will add another 22½ cents to the consumer.

Mr. SEARLES. At the top. I would say, probably, the volume of wheat that was milled and sold to the consumer might go at an average of somewhere between the two. It might be, say, 12 cents higher. It would be very hard to say absolutely. As a matter of fact, it would be impossible to say what the average price would be in a typical crop year ahead of time. You would have to wait until after the year was over and then you could establish the average.

Mr. PURCELL. I see. Mr. Olson.

Mr. OLSON. I think that we are all forgetting about the fact that the storage costs are always present regardless of the type of program, and here I bring in storage again. And I hesitate to do so. This I hesitate to do so. This is a legitimate factor in the price of flour, bread, whatever the transaction is that is involved. No private firm using good judgment is going to buy stocks in advance of their immediate needs as long as the Government supply of wheat is available at a set price, which is lower than their cost of acquiring and storing their own supply. I feel that if the private trade could buy more of a supply of wheat as it came in at the end of the harvest period or during the harvest season and be able to put it in its own bins and call upon that supply for its requirements we would have the most favorable situation.

Mr. QUIE. Will you yield there?

Mr. OLSON. Yes, sir.

Mr. QUIE. I have one comment. This has not been brought out today. I just wanted to add this: Many millers actually are not selling their wheat today. I think this is a very good point that if the market price never quite reaches the 120 percent of the support, they never will be able to use the grain in their own bins. They do not carry it.

Mr. PURCELL. If there are no further question, Mr. Searles, we thank you very much. As I said before, we are very appreciative of your willingness to cooperate to this extent by being here.

Mr. SEARLES. Thank you very much.

Mr. POAGE. Before we call the next witness I ask unanimous consent to insert a letter addressed to Congressman Nelsen dated April 8, and a statement by the Congressman. May they be made a part of the record at this point?

(The letter dated April 8, 1965, and the statement of Hon. Ancher Nelsen follow:)

STATEMENT OF HON. ANCHER NELSEN, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF MINNESOTA

Mr. Chairman, I have been able to obtain figures on the domestic sales of corn by the Commodity Credit Corporation beginning January 1961 through December 1964. Included in these figures are the unit sales prices for CCC sales through Commodity offices in Dallas, Evanston, Kansas City, and Minneapolis since 1961. The tables also show the percentage relationship of CCC prices to parity prices as follows:

*CCC domestic sales prices of corn in relation to parity prices, January 1961–
December 1964*

DALLAS OFFICE

Year by months	Parity price of corn	CCC average unit price	CCC sales price as percent of parity	Year by months	Parity price of corn	CCC average unit price	CCC sales price as percent of parity
<i>1961</i>				<i>1962—Con.</i>			
January.....	1.62			February.....	1.60	.852	53.3
February.....	1.62			March.....	1.60	1.148	71.8
March.....	1.62			April.....	1.61	1.335	82.9
April.....	1.62	1.186	73.2	May.....	1.61	.229	14.2
May.....	1.62	1.030	63.6	June.....	1.60	1.015	63.4
June.....	1.61	1.223	76.0	July.....	1.60	1.087	67.9
July.....	1.61			August.....	1.60	1.148	71.8
August.....	1.62	1.152	71.1	September.....	1.61	.431	26.8
September.....	1.62	1.168	72.1	October.....	1.61	1.103	68.5
October.....	1.62	.170	10.5	November.....	1.61	.950	59.0
November.....	1.62	.279	17.2	December.....	1.62	.676	41.7
December.....	¹ 1.62						
<i>1962</i>				<i>1963</i>			
January.....	² 1.60			January.....	1.59	.813	51.1
				February.....	1.59	1.218	76.6

EVANSTON OFFICE

<i>1961</i>				<i>1963</i>			
January.....	1.62	0.811	50.1	January.....	1.59	1.087	68.4
February.....	1.62	.983	60.7	February.....	1.59	1.106	69.6
March.....	1.62	.955	59.0	March.....	1.59	1.100	69.2
April.....	1.62	.929	57.3	April.....	1.59	1.075	67.6
May.....	1.62	.922	56.9	May.....	1.59	1.005	63.2
June.....	1.61	.973	60.4	June.....	1.59	1.052	66.2
July.....	1.61	.673	41.8	July.....	1.60	1.286	80.4
August.....	1.62	1.066	65.8	August.....	1.59	1.075	67.6
September.....	1.62	.950	58.6	September.....	1.59	1.058	66.5
October.....	1.62	.964	59.5	October.....	1.59	1.381	86.9
November.....	1.62	.976	60.2	November.....	1.59	1.189	74.8
December.....	1.62	1.021	63.0	December.....	1.59	1.247	78.4
<i>1962</i>				<i>1964</i>			
January.....	1.60	1.055	65.9	January.....	1.56	1.201	77.0
February.....	1.60	1.005	62.8	February.....	1.56	1.274	81.7
March.....	1.60	.979	61.2	March.....	1.56	1.225	78.5
April.....	1.61	1.006	62.5	April.....	1.56	1.078	69.1
May.....	1.61	.999	62.0	May.....	1.56	1.137	72.9
June.....	1.60	.964	60.3	June.....	1.56	1.140	73.1
July.....	1.60	1.087	67.9	July.....	1.55	1.092	70.5
August.....	1.60	1.023	63.9	August.....	1.56	1.094	70.1
September.....	1.61	.970	60.2	September.....	1.56	1.164	74.6
October.....	1.61	.990	61.5	October.....	1.55	1.168	75.4
November.....	1.61	1.022	63.5	November.....	1.56	1.096	70.3
December.....	1.62	1.038	64.1	December.....	1.56	1.128	72.3

KANSAS CITY OFFICE

<i>1961</i>				<i>1962</i>			
January.....	1.62	0.977	60.3	January.....	1.60	1.004	62.8
February.....	1.62	.877	54.1	February.....	1.60	1.020	63.8
March.....	1.62	.866	53.5	March.....	1.60	.942	58.9
April.....	1.62	.880	53.4	April.....	1.61	.979	60.8
May.....	1.62	.864	53.3	May.....	1.61	.988	61.4
June.....	1.61	.932	57.9	June.....	1.60	.953	59.6
July.....	1.61	1.009	62.7	July.....	1.60	.937	58.6
August.....	1.62	.970	59.9	August.....	1.60	.996	62.3
September.....	1.62	.951	58.7	September.....	1.61	.951	59.1
October.....	1.62	.969	59.8	October.....	1.61	1.015	63.0
November.....	1.62	.992	61.2	November.....	1.61	1.025	63.7
December.....	1.62	.972	60.0	December.....	1.62	1.042	64.3

See footnotes at end of table.

CCC domestic sales prices of corn in relation to parity prices, January 1961–
December 1964—Continued

KANSAS CITY OFFICE—Continued

Year by months	Parity price of corn	CCC average unit price	CCC sales price as percent of parity	Year by months	Parity price of corn	CCC average unit price	CCC sales price as percent of parity
1963				1964			
January.....	1.59	1.063	66.9	January.....	1.56	1.301	83.4
February.....	1.59	1.082	68.1	February.....	1.56	1.243	79.7
March.....	1.59	1.107	69.6	March.....	1.56	1.134	72.7
April.....	1.59	1.122	70.6	April.....	1.56	1.045	67.0
May.....	1.59	1.077	67.7	May.....	1.56	1.118	71.7
June.....	1.59	1.167	73.4	June.....	1.56	1.180	75.6
July.....	1.60	1.134	70.9	July.....	1.55	.537	34.6
August.....	1.59	1.097	69.0	August.....	1.56	1.094	70.1
September.....	1.59	1.144	71.9	September.....	1.56	1.157	74.2
October.....	1.59	1.236	77.7	October.....	1.55	1.152	74.3
November.....	1.59	1.226	77.1	November.....	1.56	1.126	72.2
December.....	1.59	1.211	76.2	December.....	1.56	1.173	75.2

MINNEAPOLIS OFFICE

1961				1962			
January.....	1.62	0.880	54.3	January.....	1.60	0.897	56.1
February.....	1.62	.870	53.7	February.....	1.60	.902	56.4
March.....	1.62	.891	55.0	March.....	1.60	.902	56.4
April.....	1.62	.855	52.8	April.....	1.61	.922	57.3
May.....	1.62	.897	55.4	May.....	1.61	.923	57.3
June.....	1.61	.948	58.9	June.....	1.60	.927	57.9
July.....	1.61	.926	57.5	July.....	1.60	.930	58.1
August.....	1.62	.948	58.5	August.....	1.60	.912	57.0
September.....	1.62	1.096	67.7	September.....	1.61	.917	57.0
October.....	1.62	.881	54.4	October.....	1.61	.944	58.6
November.....	1.62	.914	56.4	November.....	1.61	.965	59.9
December.....	1.62	.905	55.9	December.....	1.62	.970	59.9

¹ Sold 5,000 bushels for negative (−\$1,000) return.

² Sold 5,000 bushels for negative (−\$9,000) return.

Source: ASCS-FI, Financial Analysis Branch.

Mr. Chairman, the effects of CCC policies are also borne by the independent livestock farmer. When the CCC stocks are sold at low rates to those corporate feeders who can afford to buy feed in quantity, the small efficient farmer suffers. The livestock market is flooded and thus depressed by the large commercial feeders whose margin of profit can be lower than the family farmer's. This was especially true during 1963–64, when the livestock industry was wrecked by such practices. It has not recovered to this date and is a result of the dumping policies of 1961 and 1962.

For the sake of the farmer, the livestock industry and the American taxpayer, the CCC must redesign its policies with the purpose of improving the farm market prices. The past performance of the CCC is now clear and the effects have proved the folly. I hope that in the consideration of the administration's farm bill, these past figures will provide the impetus for reevaluation of present CCC selling policies.

U.S. DEPARTMENT OF AGRICULTURE,
AGRICULTURAL STABILIZATION AND CONSERVATION COMMITTEE,
BROWN COUNTY ASC COMMITTEE,
Sleepy Eye, Minn., April 8, 1965.

Hon. ANCHER NELSEN,
U.S. House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN NELSEN: As operators of average size farms (160 to 240 acres) we wish to express our feelings about the proposed soil bank farm program where the retirement of whole farms is recommended.

We feel very definitely that this plan is not the right approach to the problem. Actually this plan works out so that nonfarmers (bankers, doctors, lawyers, etc.) who own farms are the only ones benefited by banking whole farms. These farms are put into the soil bank and they derive the benefits while the actual farm operators are pushed off these farms.

Also older farmers who are eligible for social security put their farms in the soil bank and draw social security benefits, thus depriving another operator from gaining his livelihood by working their land. We feel that social security was not intended to operate that way.

Another type of operation we feel is objectionable is the farmer who puts his whole farm in the soil bank, gets a summertime job doing road work or the like, and draws unemployment compensation all winter while his farm is idled.

We need a farm program that helps the active farmer by allowing him to retire a part of his farm and make the extra income available to him so that he can continue farming the balance of his land and make a decent livelihood doing so.

This type of a farm program retiring whole farms is destroying our average farmer and we feel this is a big mistake. Our small towns are also hurt by this type of program.

This is the feeling of most farmers in this area.

Respectfully yours,

CLARENCE PAULSON, *Chairman.*

ARLEY ROLLOFF, *Vice Chairman.*

LEONARD HAALA, *Regular Member.*

Mr. PURCELL. Also, a letter received from the American National Cattlemen's Association dated April 26, which will be made a part of the record.

(The letter dated April 26, 1965, from the American National Cattlemen's Association follows:)

AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION,
Denver, Colo., April 26, 1965.

HON. HAROLD COOLEY,
Chairman, House Committee on Agriculture,
Longworth House Office Building,
Washington, D.C.

DEAR MR. COOLEY: The American National Cattlemen's Association has closely reviewed the pending Agriculture Act for 1965, H.R. 7097. The interest of the American National Cattlemen's Association is to insure that the programs for other agricultural commodities don't work undue hardship on the beef cattle industry.

We are, of course, sympathetic with the efforts that have been made by the Congress to resolve many of the economic dilemmas facing agriculture and, particularly, those problems of the so-called basic crops. Administrative flexibility in a program, of course, is sometimes desirable, but we question the advisability of giving the Secretary of Agriculture much wider discretion than before in the voluntary feed grains program. We are quite concerned as this would relate to establishing the loan levels for feed grain.

Obviously, livestock interest in general and the cattle industry in particular would like to see the maximum movement of feed grains into free market commercial channels.

In other words, loan values can be established too high just as they can be made too low. This also has a direct bearing on the price at which CCC stocks can be sold, regardless of the percentage figure, plus carrying charges. There is a delicate balance involved in this whole picture which we feel must be established by the Congress so that minimal manipulation through administrative discretion will be achieved. Feed grain prices that are too high are just as detrimental to the beef cattle industry as are those grains which are priced too cheap. Maximum free market movement, we feel, will give us this goal while holding storage costs to a minimum.

The transfer of allotments as proposed in the pending legislation could work a hardship on younger people attempting to get started in agriculture. If the purpose of the transfer is to develop larger units for the crops falling under its definition, then we are sure it will accomplish that goal either through outright sale of existing allotments or through lease arrangements. This feature, it seems to us, will be extremely difficult to administer.

Further, in relation to the transfer of allotments, title VI, the question occurs to us as to what purpose the land can be utilized once the allotment is either sold or leased by a second party. Obviously, the value of the allotment has been capitalized into the value of the land. Would it be possible that this would encourage an artificial expansion of the beef cattle industry by making this land available for beef cattle production or does the committee contemplate placing some restrictions on the use of this land once the allotment is sold or leased?

We are particularly pleased to note that in the cropland adjustment section that grazing has been specifically eliminated as one of the alternate uses for these retired lands. We strongly urge that this feature be retained in the legislation.

We also note in the cropland adjustment section that there is a provision whereby some of these lands might be used for recreational purposes by outright purchase. It seems to us that long-term leases might be more advantageous since you do leave the properties on the tax rolls to support local governments. In the event the land is purchased outright for recreational purposes, we would recommend a payment in lieu of taxes to the local governments in order that they can sustain their obligations for schools, roads, and other governmental services.

We respectfully request that this letter be made a part of the hearing record on H.R. 7097.

Sincerely yours,

BROOKS J. KEOGH.

Mr. PURCELL. Also, we have a statement here from Robert C. Liebenow, president of the Board of Trade of the City of Chicago which will be made a part of the record at this point.

(The prepared statement follows:)

STATEMENT OF ROBERT C. LIEBENOW, PRESIDENT, BOARD OF TRADE OF THE CITY OF CHICAGO

My name is Robert C. Liebenow, president of the Board of Trade of the City of Chicago. In this testimony I am representing not only the Chicago Board of Trade, but also the Kansas City Board of Trade as well.

Our first objective in making this presentation is to publicly congratulate President Johnson on his February 4, 1965, forward-looking farm policy statement with respect to the vital force of the free market. This message reflects his sincere concern for rural people, and his great recognition of the basic facts underlying our agricultural economy.

There are some fundamental concepts contained in the message which every American should understand and endorse. For example, the President stated: "The bounty of the earth is the foundation of our economy.

"The farm people of this Nation have made and are continuing to make a lasting contribution to our national prosperity. As a matter of simple justice they should share equitably in this prosperity. They deserve a place of dignity and opportunity."

The facilities of our commodity exchanges are dedicated to minimizing the cost of marketing and maximizing the returns to producers. Commodity markets serve the public and the farmer well.

In this historic message the President sets forth his objectives as follows:

1. An abundance of food and fiber at reasonable and stable prices for the people of the United States.
2. Effective use of our agricultural resources to promote the interests of the United States and world peace through trade and aid.
3. A workable balance between supply and demand at lower costs to the Government.
4. Opportunity for the efficient family farmer to earn parity of income from farming operations.
5. Parity of opportunity for all rural people, including new opportunity for small farmers.

As the President points out, "Our farm programs must always be adapted to the requirements of the future. Today they should be focused more precisely on the opportunity for parity of income for America's family farmers and lower Government costs."

However, there must not be overlooked one fundamental fact which the President recognized if we are to attain the goal of parity of income—the vital force of the free market. For he declared as follows:

“Our objective must be for the farmer to get improved income out of the marketplace, with less cost to the Government.

“To do this, I am asking the Secretary of Agriculture to so utilize the Commodity Credit Corporation as to make the free market system work more effectively for the farmer. We must encourage the private segment of our economy to carry its own inventories, bought from farmers, rather than depending on the Government as a source of supply. We must urge the private sector to perform as many services as possible now performed by Government agencies.”

Fundamentally this was not a new thought of President Johnson. For in December of 1963, in a public letter to the president of the American Farm Bureau Federation, he asked, “How can we use the pricing mechanism of the free market with more vitality than presently? In this endeavor, how can we better coordinate the role of Government with the area of the private sector, including farmers’ own institutions in the marketing of farm products? In this endeavor, how can our efficiency in producing and marketing be reflected in fair and open competition in the world markets?”

In making a public statement regarding his request of the Secretary of Agriculture, there is a definite expression of a wish by the President that there be a changed course in CCC sales policy. Unless the present sales policy is changed, we cannot achieve the objective of parity of income for efficient family farmers. The only way we can attain this goal, in addition to the proposed programs, is by farmers getting a greater share out of the free market. This cannot be achieved if the current minimum sales formulas for wheat and feed grains are continued in new legislation.

There is a more compelling reason for having a higher resale price for feed grains. This relates to the effect of feed grain prices on livestock production and prices. Cheap feed means cheap livestock. Livestock and livestock products provide about 55 percent of the cash receipts on a national basis. In the Midwest, it runs from two-thirds to three-fourths. With the loan rate in 1965 for corn at \$1.05 per bushel, compared to \$1.10 in 1964, a higher resale is needed even for stable prices. Actually, a 115 percent of loan minimum resale is the level needed to prevent the stimulus for expanded livestock production and our goal of parity of income.

Heavy feed grain sales in recent years have stimulated livestock production with unfavorable prices to livestock producers. In assessing the costs of programs, we must not overlook the several hundred million dollars worth of beef and other livestock products purchased by USDA. In addition, farm income was reduced by the unfavorable cattle and hog prices.

The Secretary of Agriculture has stated in testimony on April 6 before the House Committee on Agriculture that he has been using the sales of CCC-owned stocks to stabilize prices in order to get participation with the voluntary program.

In the case of feed grains, the Secretary has admitted that during the last 4 marketing years he will have sold some 2.2 billion bushels of corn. Many persons believe that these have had a depressing effect on livestock prices. In any case, the January 1, 1965, inventory value of all livestock (including poultry) dropped by some \$2.8 billion below the inventory value on January 1, 1963, with practically no change in numbers.

In the case of corn, since January 1, 1965, CCC has been selling at a rate 10 times that of a year earlier. There seems little question that with the reduced level of sales, corn farmers, many of whom suffered reduced yields from bad weather in 1964, would be receiving higher prices and income.

In spite of the fact that the 1964 corn crop was about 360 million bushels below requirements, the Secretary in his testimony in the House of Representatives on April 6 said that the CCC expected to take over about 50 million bushels from the 1964 crop. There is no need for CCC to acquire any of this corn if a different sales policy were followed.

The tremendous sales by the Commodity Credit Corporation contradicts the congressional policy outlined in section 407 of the Agricultural Act of 1949. The following sentence from this section indicates the policy which the Congress desired:

“In determining sales policies for basic agricultural commodities or storable nonbasic commodities, the Corporation should give consideration to the establishing of such policies with respect to prices, terms, and conditions as it determines will not discourage or deter manufacturers, processors, and dealers

from acquiring and carrying normal inventories of the commodity of the current crop.”

Heavy CCC sales keep the price structure so close to the loan that the current crop is forced into the loan with subsequent acquisition by CCC. It acquires much more grain than if prices were permitted to move to higher levels. It costs CCC at least 10 cents per bushel in handling and transportation in this process of acquisition, storage, and later sale. The farmer, the taxpayer, and the administration lose.

Examine the following table :

Corn

	1960	1961	1962	1963
Loan rate.....	\$1. 06	\$1. 20	\$1. 20	\$1. 07
Price actually received by farmers in the market.....	\$1. 00	\$1. 00	\$1. 06	\$1. 09
Deliveries to Commodity Credit Corporation.....	¹ 480	¹ 637	¹ 480	¹ 15
Government sales.....	¹ 480	¹ 975	¹ 736	¹ 169

¹ Million bushels.

In 1960, 1961, and 1962, when Government sales were very high, deliveries to the Commodity Credit Corporation also were substantial, and the prices received by farmers were considerably below the loan rate. In 1963, however (in spite of our biggest crop in history) when Government sales were greatly reduced, deliveries to the Commodity Credit Corporation also were greatly reduced, and prices received by farmers went above the loan rate.

The USDA claims it needs the lower resale price to force participation in the program. Let us examine the following facts :

- (1) The noncooperator is not eligible for the loan or payments. He is most likely to be forced to sell in the early part of the marketing year, November to December when prices are seasonally lowest. The cooperator can use the loan and practice orderly marketing—a long-term objective of all farm programs. The average price received by cooperators will be higher than for noncooperators.
- (2) The cooperator is eligible for resale payments on farm-stored grain.
- (3) The cooperator gets payments whether or not he makes a crop. This is an important insurance feature.
- (4) The diverted acreage put into conserving crops is more productive the following year.
- (5) The farmers’ own marketing organizations lose if the Government dominates the market system.

Now let us examine an actual case to show the fact that the theory of punitive necessity for a voluntary program is fallacious.

Example of returns to a corn farmer with a 100-acre base assumption: (1) normal yield for payment purposes of 63 bushels per acre; (2) actual yield per acre as shown, recognizing that diversion of less productive land would increase average yield on remaining acreage; (3) loan \$1.05 a bushel with a 20 cents per bushel price-support payment; (4) market price at \$1.05 for noncooperator, \$1.15 per bushel for cooperators; and (5) production costs of \$25 per acre.

Item	Unit	Nonpartici- pant	Participant who diverts—	
			20 percent of base	40 percent of base
Diversion.....	Acres.....		20	40
Harvested acres.....	do.....	100	80	60
Actual yield.....	Bushels per harvested acre.....	68	70	71
Production.....	Bushels.....	6, 800	5, 600	4, 260
Value of crop.....	Dollars.....	7, 140	6, 440	4, 899
Price support payment.....	do.....		1, 008	756
Land diversion payment.....	do.....		315	1, 575
Less production costs.....	do.....	2, 500	2, 000	1, 500
Total.....	do.....	4, 640	5, 763	5, 760
Advantage to participant.....	do.....		1, 123	1, 120

Another reason sometimes advanced for lower resale prices involves budgetary costs—specifically for the wheat export subsidy. If we assume that the world

wheat price will be below the U.S. market level, there is some validity in this point. The difference between 105 percent of loan and 115 percent of loan for 1965 will be 10 percent, or about 13 cents per bushel. However, the proponents of the lower resale level state mistakenly that the increase in budget costs will be 675 million bushels times 13 cents, or about \$88 million. Students of markets recognize that with a wheat crop of 1.3 billion bushels, equal to probable requirements, it would only be late in the marketing season, if at all, that the market price would rise to the \$1.44 level. Early in the marketing year, wheat would sell close to the \$1.25 average level, if not lower. The increased costs would be about half the \$88 million. The increased income would be almost twice the higher costs. Income tax returns would be higher—much higher.

There is a basic advantage to the cooperator for the market to be at or above the loan level. This is that most wheat that goes under loan is warehouse stored. The farmer must pay for the storage. Thus, taking the heavy pressure of Government sales off the farmer's back, enables him to realize more in the market when he wants to use the market. If on the other hand, he wants to use the loan for orderly marketing, this alternative is available to him.

It should be noted that for a cooperator who puts his wheat under warehouse loan to net \$1.25 per bushel, the market must rise to about \$1.38 per bushel. The 13 cents covers storage costs, interest, and fees. If the farmer is forced to turn the wheat over to the Government, he nets only about \$1.14 per bushel. This is just too little.

Also, the average wheat allotment for noncooperators in the wheat program is about 10 acres—for cooperators it is 5 or 6 times as much. Many persons question the wisdom of the Government's using the pressure of a \$14 billion corporation to force down the income of these small producers. It was never the intention of Congress that the Commodity Credit Corporation stocks be used to reduce farm income.

The market price for wheat has gone down every month since December 1964. It is most significant that in spite of a 13-percent increase in wheat production in 1964 over 1963, wheat farm income dropped by 4 percent. (This includes Government payments.) The major reason for this was the heavy sales at the minimum level permitted by law. With all the Government-owned wheat available at the legal minimum, there is very little reason for any private firm to own wheat. CCC is handling millions of bushels which otherwise would be carried by the trade. This is expensive to CCC in increased costs and to the farmer in reduced income.

With the present and proposed threats of heavy Government sales, the following facts bear attention:

1. The President's objective of getting the private grain trade to carry its own inventories will not be achieved. There is too much fear of potential losses from heavy Government sales. Actually, industry will continue to shift the cost of carrying inventory to the Government.

2. Government controls over prices weaken the market system and can destroy it. Witness cotton.

3. Cooperators and noncooperators lose—especially in years of low yield when farmers need higher prices to make up for production losses.

For the reasons outlined above we endorse President Johnson's objectives as outlined in his farm message, which we have quoted. We recommend therefore that the CCC release price for feed grains and wheat be at least 120 percent of the loan figure, plus reasonable carrying charges. We also recommend that the new release figure go into effect at the earliest practicable date.

Mr. PURCELL. Our next witness is Mr. Sam L. Rice, Jr., president of the Grain & Feed Dealers National Association, who is accompanied by Mr. Alvin E. Oliver, executive vice president of that association. We will be glad to hear from you now.

STATEMENT OF SAM L. RICE, JR., PRESIDENT, GRAIN & FEED DEALERS NATIONAL ASSOCIATION; ACCOMPANIED BY ALVIN E. OLIVER, EXECUTIVE VICE PRESIDENT

Mr. RICE. Mr. Chairman and members of the committee, I am Sam L. Rice, Jr., president of the Rice Grain Co., Toledo, Ohio. Our

company is a family-owned business engaged in grain merchandising, in northwestern Ohio. I am appearing today on behalf of the Grain & Feed Dealers National Association, of which I am president.

This national association has 1,800 dues-paying members which range in size from the smallest country elevators to the largest feed and grain marketing complexes. In addition, we have 54 State and regional grain and feed associations which are closely affiliated with the national association. These affiliated associations have membership in excess of 17,000 business firms. Due to the press of time these affiliated associations have not seen this statement and therefore have not had an opportunity to give us their written endorsement. However, this statement was prepared and approved by a task force which was appointed at our annual convention.

We appreciate this opportunity to appear before the joint subcommittees and express our views on the proposed feed grains and wheat legislation with respect to the resale price of Commodity Credit Corporation stocks.

At the outset, I would like to indicate our support for some of the important principles embodied in H.R. 7097. We support voluntary programs designed to adjust production to the demands of domestic and foreign markets.

We are encouraged by the changes in wheat legislation from mandatory to voluntary and the modifications in the feed grain program in 1963 which eliminated the necessity for massive Commodity Credit Corporation feed grain sales. As an example we will take corn. In 1961-62, Commodity Credit Corporation sold 975 million bushels which were in excess of one-half the off-farm corn sales and acquired 637 million bushels under the loan program. In 1963-64 Commodity Credit Corporation sold 170 million bushels and acquired 75 million bushels—real progress.

We also support the principles embodied in title V designed to encourage the transfer of marginal cropland to alternative uses. The whole farm retirement feature may well assist farmers in making the difficult decision to change employment or retire. Since it is directed at marginal units or those operated by part-time farmers or by farmers nearing retirement, it should enable these families to make adjustments which would otherwise be difficult.

In assessing proposals to alter the Commodity Credit Corporation resale formula prices, it is important to keep in mind certain characteristics of the minimum sales price and its effect on the voluntary acreage diversion programs.

Generally speaking, when farmers produce less of a commodity than the market will absorb at the support price—as they have quite consistently under recent programs—market prices will rise above the support level. In these circumstances, when Commodity Credit Corporation attempts to limit the price increase, by sale of its own stocks at the formula price, as it has in recent years, its resale price tends to establish the market price.

Against this background, one important advantage of increasing the formula price is readily apparent. Both farmers and Commodity Credit Corporation would receive higher prices for commodities they offer for sale.

Another important but less obvious advantage of a higher resale price is that the marketplace overrides the Commodity Credit Corpo-

ration in guiding the production and disposition of basic farm commodities. Secretary Freeman referred to the importance of this in his testimony to the House Agriculture Committee on April 6.

An aspect of this which the Secretary did not discuss in detail seems worth comment here: This involves the impact of proposed changes on future trading. A widening of the differences between price support and statutory loan resale prices will tend to increase the usefulness of future markets.

Those who rely upon futures prices to guide their stock acquisitions and dispositions, and buy or sell futures contracts as temporary substitutes for these planned acquisitions and dispositions, do so in terms of their own evaluations of price prospects. When the prospect of price change is severely limited, these firms have little incentive to appraise the prospect or to use the futures markets. The range over which prices can change is inherently limited by the 105 percent requirement, which is the chief deterrent to the use of the futures markets. A second deterrent is that the authority which the Commodity Credit Corporation has to sell is not a mandate to sell. The authority which Commodity Credit Corporation has discourages risk capital from entering the market and the lack of mandate prevents Commodity Credit Corporation from being a reliable supplier. Hence, the trade is confronted by an uncertainty for which there is no effective protection. With a wider range, the trade would not only have more scope for decision making related to market forces, but could view with greater certainty the prospect of Government sales at the statutory level.

For two reasons, then, futures markets would be better used if the statutory resale price were to be increased; first, because the range of possible price change subject to the usual supply and demand forces would be widened. Secondly, because the unpredictability of an unusual supply force—Government sales—would be reduced.

A further consideration is that, if price programs in the future are to allow more scope to the marketplace, it is important to maintain the institutional framework under present programs. It is too much to expect markets to perform adequately at some future date if they are permitted to wither away under present programs.

In my business, the ability to hedge gives me price protection against my grain inventory. This price protection not only allows me to work on a closer margin of profit but also affords price protection which is necessary to borrow money to finance grain inventories.

There is still another advantage in increasing the statutory resale price. This involves reducing unnecessary price support activity and, therefore, the costs to the Government of price support programs.

At present, producers who have placed commodities under loan often forego the privilege of redeeming them even though the price rises to the Commodity Credit Corporation's resale price, because the difference between the loan and resale price is not great enough to make the grain redemption attractive.

The result is unnecessary expense to the Government in taking over and subsequently disposing of stocks which could and should move directly from the producer to the consumer through the marketing system.

I would like to turn now to disadvantages involved in increasing the resale price, two of which seem of paramount importance. First, voluntary acreage diversion programs are expensive. Their costs are

directly related to anticipated market prices. Producers weighing the relative merits of compliance and noncompliance are influenced by the price they expect to get if they forego acreage diversion and attempt to maximize production. We have already noted that when these programs are effective in adjusting production to disappearance, the Commodity Credit Corporation resale price in effect establishes the market price. It would seem, therefore, that if the resale price is increased substantially, then additional payments must be offered compliers to offset higher market prices anticipated by noncompliers in order to achieve the same program results.

A second important disadvantage of increasing the Commodity Credit Corporation resale price and therefore the effective market price involves disposition of the commodities involved. In the case of wheat, an increase in price resulting from an increase in the Commodity Credit Corporation resale price might require an increase in export subsidies to avoid the loss of export sales.

Corn is competitive in the world market at prices reflecting Commodity Credit Corporation's present resale price. However, an increase in that price, unless offset by an export subsidy, could cut deeply into expanding corn exports, both by retarding the present rapid growth of consumption abroad (as in Japan, for example) and by increasing incentives to some foreign producers.

The important role expanding exports can play in easing the burdens of agricultural adjustment is well recognized. Both Government and private agencies are involved in extensive efforts to increase foreign sales. The effect of an increase in Commodity Credit Corporation resale price upon these efforts should be considered.

Giving full consideration both to advantages and disadvantages it is our judgment and recommendation that the statutory resale price be increased from 105 to 110 percent of the price-support loan plus reasonably carrying charges—but not higher. This would increase the effectiveness of the private marketing system in fulfilling its role, it would reduce unnecessary activity in the price support programs—and therefore Government costs—and it would provide a moderate increase in returns both to producers and to Commodity Credit Corporation on the sale of their stocks. The effect of such an increase on the costs of the diversion programs and on the continued growth of foreign markets is more difficult to assess, but we believe that it would not outweigh the advantages which would result from implementation of the recommended change.

Two further observations are germane if any increase in the resale price is contemplated.

First, the objective of the change probably cannot be accomplished simply by substituting "110 percent" for the words, "105 percent," as they appear in section 407 of the Agricultural Adjustment Act of 1949. Commodity Credit Corporation has accumulated rights to sell vast quantities of feed grains at the price support loan level plus carrying charges in the operation of voluntary diversion programs in recent years. Presumably, these rights would not be terminated by the simple amendment as described unless it is accompanied by strong evidence of congressional intention that it be observed with respect to all subsequent sales of Commodity Credit Corporation's stocks for unrestricted use.

Second, we recommend that the statutory resale price not be made applicable to oil seed. Any increase in the price of soybeans, for example, would further stimulate the substitution of synthetic protein sources for soybean meal in animal feed. Furthermore, while an increase in the price of soybeans may benefit soybean producers in the short run, it should be apparent that such benefits are paid for by other producers who must buy soybean meal either directly or in the form of mixed feed for livestock. Indeed, any increase in the resale price of other grains will result in the loss of acreage planted to oilseeds unless nonprice incentives are provided for maintaining and increasing that acreage. We are pleased to note provisions in H.R. 7097 for just such incentives.

Thank you.

Mr. PURCELL. Are there any questions of this witness?

Mr. FINDLEY. I thank you for coming before the committee. I wonder if your association has any position on this question of national reserve?

Mr. RICE. Our association for several years has recognized the importance of the course incurred. We have appointed a task force to study the reserve program. We have no recommendations at this time. I am here to give comment on the resale price. And at such future time as you would like to hear from our committee on the reserve we will be happy to furnish that information.

Mr. FINDLEY. Thank you.

Mr. PURCELL. Mr. Dole.

Mr. DOLE. I just want to ask one question. Do you make any distinction between wheat or feed grain resale at 110 percent?

Mr. RICE. No.

Mr. DOLE. You do not see any particular distinction between commodities?

Mr. RICE. We feel that the basic problem here is allowing an area where the premarketing system can operate. And this 10-percent leeway between the loan and the resale price we feel is important to both commodities.

Mr. DOLE. And your conclusion is, perhaps, as to the 110 percent you discuss, as to the advantage or disadvantage from your standpoint in the grain trade, from the Government's standpoint and the producer's standpoint—do you feel the 110 percent would be a good compromise?

Mr. RICE. We reached this conclusion. We studied it recognizing many disadvantages and advantages, and feel that the 110 percent is a satisfactory solution and at 110-percent level the advantages outweigh the disadvantages.

Mr. DOLE. Thank you.

Mr. PURCELL. Mr. Bandstra.

Mr. BANDSTRA. I think that you have presented a very honest and fair statement. I just want to commend you on it. You recognize the importance of the feed grain program in reducing our surplus stocks; is that correct?

Mr. RICE. Yes, sir.

Mr. BANDSTRA. Then I take it that it is your judgment if we should raise the resale price we are going to have somewhat of a problem in connection with good compliance that we have been getting in the past in feed grains?

Mr. RICE. We feel that by going to the 110-percent level the advantages would still outweigh the disadvantages.

Mr. BANDSTRA. It would be your feeling then that it would be the other way around, that we would have less compliance with it than we presently do in the feed grain program?

Mr. RICE. We recognize the dangers as mentioned in my testimony of raising the resale price. We also are well aware of the problems at the present 105-percent level. At the 110-percent level this grain would move to the normal marketing channels. And we think it would not raise the resale price to such a high level that the disadvantages would be greater than what could be gained.

Mr. BANDSTRA. I have one further question. You recognize that when the farmer sits down in the spring and determines whether he will sign up with the feed grain program, for example, that he not only considers the diversion payments he will receive, but he also considers the resale policy of the Commodity Credit Corporation in determining whether or not he is going to cooperate; is that correct?

Mr. RICE. I believe that, actually, the resale policy is a market influence. And, of course, will enter into the price structure that the farmer is looking at, but we feel that by going to this 110-percent level this is not placing it at such a high level where the advantages would grow, say, to production outweighing the advantages of receiving the diversion payment.

Mr. BANDSTRA. Thank you.

Mr. PURCELL. Thank you very much, gentlemen, for your statements.

We will stand in recess now until this afternoon. We have four more witnesses in this part of our hearings. I have checked with a few of the members of the subcommittee and it seems that the best thing to do is to come back this afternoon 15 minutes after we have concluded the main business of the day on the floor of the House. In the morning we are breaking up into separate subcommittees. We have other witnesses to take care of at that time. If there is no objection to that program, those of you who have not testified who are scheduled for today please keep in touch with the staff and they can tell you and they can notify you as to the time when we will be back. We do not know exactly, but I think it will be about 4 o'clock. We will stand in recess until about that time.

(Whereupon, at 12 noon, the subcommittee recessed to reconvene at 4 p.m., the same date.)

AFTERNOON SESSION

Mr. PURCELL. We will proceed and call Mr. Roy F. Hendrickson, executive secretary of the National Federation of Grain Cooperatives.

STATEMENT OF ROY F. HENDRICKSON, EXECUTIVE SECRETARY, NATIONAL FEDERATION OF GRAIN COOPERATIVES, WASHINGTON, D.C.; ACCOMPANIED BY DWAYNE O. ANDREAS, EXECUTIVE VICE PRESIDENT, FARMERS UNION GRAIN TERMINAL ASSOCIATION, ST. PAUL, MINN.

Mr. HENDRICKSON. Mr. Chairman and members of the subcommittee, I am Roy F. Hendrickson, executive secretary of the National Federation of Grain Cooperatives, Washington, D.C.

With me is Mr. Dwayne O. Andreas, executive vice president of the Farmers Union Grain Terminal Association, St. Paul, Minn., who has had long and responsible experience in the grain and oilseed marketing field, in both merchandising and processing.

The President's farm message of February 4 is an outstanding State paper; thoughtful, and forward looking. A key sentence said:

Our objective must be for the farmer to get improved farm income out of the marketplace, with less cost to the Government.

The President then expanded on this point in the next paragraph of his message, as follows:

To do this, I am asking the Secretary of Agriculture to so utilize the Commodity Credit Corporation as to make the free market system work more effectively for the farmer. We must encourage the private segment of our economy to carry its own inventories, bought from farmers, rather than depending on the Government as a source of supply. We must urge the private sector to perform as many services as possible now performed by Government agencies.

Restating in his own words the President's marketplace philosophy, Secretary Freeman, in an address at the Spring Conference of the National Federation of Grain Cooperatives in Washington on Wednesday, April 7, said that the administration's new legislative proposals placed stronger emphasis in four areas, and listed the first of these as:

Encourage greater use of the marketplace to bring a fair return to farmers in domestic and export sales. We would rely less on tax dollars, and we would seek to move away from use of export subsidies.

Referring to management policies of grain stocks held "by the Government in public trust," he said:

These Government stocks are owned by all the people—consumers as well as producers. Good policy demands consideration of both groups, as well as the grain trade and farm-related business and industrial enterprises. These stocks must be reduced to needed reserve levels while at the same time farm prices are strengthened and maximum use is made of the free market including farmer owned and privately owned marketing facilities.

The market can set values and quality differentials far better than the Government.

We must rely on the trade to handle our commodities, for CCC has practically no facilities and wants to reduce even the few it has. But there is another overriding responsibility in connection with the grain programs—to keep them operating effectively so there will be a fair price to the producer and at minimum cost to the taxpayer. And this we cannot do if we are required to hold our stocks off the market for prices so far above loan levels that we cannot get farmers into the voluntary programs.

I have repeated and quoted this because, as a matter of emphasis of what I want to say.

I hope I can speak plainly without being considered disrespectful. In the case of wheat the Secretary is, I feel, assuming erroneously (either himself or his advisers) that market prices will bounce upward as if magnetized by the resale figure.

Since February 4, I have discussed the President's remarks, quoted above, with President Thatcher of this federation and with many other directors who have long and distinguished records in serving farmers faithfully and well. They are tried and proven friends of agriculture.

Opinion is unanimous among these seasoned cooperative businessmen that the private sector engaged in grain and oilseed marketing, specifically the farmer owned and controlled cooperatives, are ready and

willing and anxious to perform marketing services needed by farmers, and to do so efficiently and well. Competition is keen. Their competitors are able and capable. It just happens that of all of the commodities that I am familiar with—and I have had some experience with a great many of them—there is a very low toll paid for distributing grain in servicing producers and consumers. The grain marketing industry does an outstanding job of marketing at very low margins. This means that a very low toll is paid for distributing grain, in servicing producers and consumers. I doubt very much that complete Government operation—which President Johnson does not favor—would be of any advantage to producers or consumers or the Government. But if this were an agreed-on objective, those in the business now should be bought out—and not kicked out.

To respond to the President's invitation to give his ideas some zing, it is necessary and desirable that far closer attention be paid to areas of duplication of effort, of wasteful friction and conflict as between the Commodity Credit Corporation and the private enterprise marketing system. Let us start with some background.

Section 407 of the Agricultural Act of 1949, as amended, specified that in selling commodities for unrestricted use the sales price of the Government should not be less than 105 percent of the current support price plus reasonable carrying charges covering storage, handling, interest, et cetera.

I see our friend Mr. Poage up there, and I recall very well testifying both in 1948 and in 1949 before this committee, and in his presence in favor of this 105 percent provision.

This worked reasonably well for years. But I am convinced that placing the resale price in the case of wheat under the certificate plan at 105 percent of the support price will prevent realization of the President's objective, which in his own words, is "to get improved farm income out of the marketplace."

The certificate program is far different from other programs. The program for 1966 and 1967 crops with which this bill is concerned, will produce a major change from 1965, the current year's program.

I submit that increasing the resale price to 115 percent will not require CCC to hold stocks off the market for prices so far above loan levels that the Department will not be able to get farmers into this program. This is an understandable concern of Secretary Freeman and of members of this committee. But I fear he discounts here the capacity for sharpening their pencils possessed by farmers in figuring the cash significance of the options or alternatives open to them.

There are farmers who will never sign up under any program. That is their right. But in terms of cash they cannot prove an advantage, and they are few in number.

It should be understood that the resale formula applies to wheat offered for unrestricted use. This is primarily the domestic market, but is not restricted to it by any means.

It is, of course, clear that the Department is not required to sell for unrestricted use at 105 percent of the support price. There is no requirement to sell. It may, in fact, follow the market upward if that is the direction of the market, I hoped this would happen last year. But there was a reluctance at USDA last year to follow the market up—it made farm market price advances seem to be regarded as sin-

ful. This was hard to understand for a person who saw written the preamble to the 1933 Farm Act that set parity as the goal. And I have never seen that particular preamble repealed and prices are well below parity.

Sales for export that are exempted from this provision include wheat sold at the market price either in redeeming payment-in-kind certificates which are employed in paying export subsidies or in connection with providing commodities out of CCC inventory for barter, donation, and other programs.

Thus, the issue primarily turns on the resale level applicable to sales for unrestricted use, which chiefly means domestic use.

Let us turn to the CCC charter provisions. The CCC Charter Act, enacted by Congress in 1948-49, requires the Corporation to employ the "usual and customary channels of trade and commerce."

Is that a dead concept?

A basic program of supplying domestic millers with wheat for grinding into flour for domestic sale instead of these raw material requirements being obtained by purchases from farmers through the marketing system is not in accord with the spirit of that charter provision.

Is there a mistrust of the philosophy of a free marketing system despite the honeyed words?

One need not be a prophet or the son of a prophet to foresee that unless restraint is exercised, in view of its great and growing power, its vast money resources, its nonneed to subject its operations to profit-and-loss criteria, CCC will dominate wheat prices, wheat supplies, sales, movements—in short, all wheat commerce of a significant character.

Is this desirable? It appears that the President does not think so. What is the current view of Congress?

There is a tendency for governmental programs to drift into various pro tempore arrangements in connection with emergency programs that take on routine, a sort of permanent status. It is wise for Congress to examine such an area from time to time and to restate its position clearly. It seems to me the President stated his position in the farm message of February 4, but his message may be unclear.

During most of the fifties and early sixties, the wheat stocks acquired by the Government were on the increase, and market prices tended until midyear 1961 to average somewhat below the support price level for wheat. Since then—and, particularly, since the middle of 1960 the chart will show—as stocks and carryover have been cut back, average prices have been at or above support levels.

The shift over last year to the certificate plan brought with it some side effects, like cortisone, specifically a rapid rise in the role of the 105-percent resale price as a ceiling price in the case of wheat. The market, if free, would have gone higher except for sales out of CCC stocks. How much more income farmers would have realized or how much less wheat CCC would have acquired cannot be established.

Was it good public policy to stop a market advance in its tracks? The cost of the program to the Government was increased by that tactic. I think that is clear.

In connection with the new legislation for wheat for the 1966 and 1967 crops, a support price of \$1.25 per bushel, national average, is

proposed plus a domestic certificate with a value projected at about \$1.25 per bushel on the domestic share of the production of farmers who participate in the program.

Now, 105 percent of \$1.25 is \$1.31 $\frac{1}{4}$. Thus, if the price advances only 6 $\frac{1}{4}$ cents a bushel above the national average support level, the ceiling of 105 percent will be reached.

This is an extraordinarily narrow range between the floor price or the support level and the ceiling price, which is the resale price level. It certainly conveys a degree of small trust in the free market system—6 $\frac{1}{4}$ cents.

On the basis of the record during the 1964–65 marketing year, we have sensed a tendency on the part of the Government to sell freely when the market price reached 105 percent of the support level and fear of a further advance in the market price.

Is this faith in a free market system? Is the certificate program so delicate it must set aside the goal of parity prices to farmers?

The law in nowise prohibits CCC from advancing with the market beyond 105 percent. But CCC has not waited for the market to advance to perhaps 107 percent, perhaps 110 percent or even 115 percent. Instead, the spigot has been opened wide at 105 percent. And more of this is in prospect.

A 6 $\frac{1}{4}$ -cent range is a needlessly tight straitjacket which surely will prevent the achievement of the President's objective "for the farmer to get improved farm income out of the marketplace." It surely reflects a lack of confidence in farmers and the marketing system.

A grain merchant, whether an individual, a partnership, a cooperative, or a corporation, is operating for profit.

If any buyer of wheat sees the price advance to 104 percent of the support price, even 103, would he as an element in the private segment of our economy be then encouraged to carry an inventory, bought from farmers at that price?

He would not. Why? Because if and when the market advanced to 105 percent of the support price, the Government's inventory spigot would be opened, dashing any hope for even a fractional advance in price which would serve to reward any incentive to procure for ultimate sale and distribution at a margin of profit. Only stupid men will respond more than once or twice to a sure invitation to realize a loss, and even a disaster.

Thus, the 105 percent proviso will limit risk taking and CCC will carry the inventory during and between harvests, and this is certainly contrary to the expressed desires of the President.

I submit, too, that such a narrow price range discourages and deters manufacturers, processors, and others from acquiring and carrying normal inventories out of the current crop, as intended by Congress under section 407 of the Agricultural Act of 1949, as amended, which states in part:

In determining the sales policies for basic agricultural commodities or storable nonbasic commodities, the Corporation should give consideration to the establishing of such policies with respect to prices, terms, and conditions as it determines will not discourage or deter manufacturers, processors, and dealers from acquiring and carrying normal inventories of the commodity of the current crop.

I might comment that repeatedly Public Law 480 purchase authorizations were withheld in connection both with White wheat and with

Soft Red wheat in response to this particular instruction under the law. And there has been, of course, no particular surplus of these in recent years. And we wish to emphasize that last statement that we made preceding this statement.

If the resale price for wheat was placed at 115 percent of the support price, there would be added to the range $12\frac{1}{2}$ cents plus $6\frac{1}{4}$ cents, for a total of $18\frac{3}{4}$ cents between floor and ceiling per bushel. This would have the effect of stripping off the straitjacket from the marketing system and affording some elbowroom. And the certificate program would not be wrecked in the process. It is not that fragile.

A resale price of 115 percent would not serve as a magnet which would automatically attract market prices upward to that level. If the offer was there, that would be a simple way to solve the farm problem. This is one of the curious notions of many opposed to raising the 105-percent resale figure. They simply fear the magnetic attraction of a higher figure, even seem to fear higher farm prices in the marketplace. They should relax. The elements of supply and demand which go into determining market prices would not be suspended or repealed or put into the ash can by substituting "115" for "105."

I am talking now about 1965, the 1965 crop. And, of course, the proposed law we are talking about refers to 1966 and 1967, but this illustrates this.

With the present prospect of a wheat crop of 1,300 million bushels and with no clear prospects of an enlarged foreign and domestic market this year, it is not logical to expect wheat prices to exceed the support level very much, if, indeed, they manage to average in the close vicinity of the support level throughout the year. If anyone claims the price will advance this year to 115 percent, ask him for his credentials as a price forecaster.

In this connection I cannot agree with those who seem to visualize in an increase in the resale price a step which would wreck the working of the voluntary certificate program for wheat. This comes very close to being pure nonsense.

Certainly a farmer, in deciding whether to participate or not to participate, is going to take into account not only the support price but the value of the certificates which, in the case of the crops of 1966 and 1967, is projected at \$1.25 on his assigned share of the domestic market, about 40 percent of his allocation.

The incentive to buy grain and other commodities under the private enterprise system, of which cooperatives are a part, is the hope for a gain in price which will yield a margin of profit. Such a margin must come after a return on invested capital and the cost of interest are taken into account, along with the costs of services, personnel, and risks.

It is a very old system. No one needs to apologize for it. In the case of grain and oilseeds, due in part to the competitive factor introduced by farmers themselves through the ownership and their loyal support of their cooperatives, margins have been narrowed, and the toll taken in moving commodities from the producer to the ultimate consumer has been reduced over the years. This is in the public interest.

Such a system relies upon the guidelines provided by supply and demand. That supply and demand are not in total eclipse is quite

well illustrated by the report from Moscow which was carried in the New York Times on Thursday, April 22, 1965.

This article indicates that there is no longer disdain but a new appreciation of the Western view that value depends on the relative scarcity of goods as reflected in the supply-demand relationship which determines price on a freely competitive market. This reflects a change in economic ideology in Russia which may be the most significant event there in a long time.

A few days ago a friend of mine, having heard me urge an increase in the resale of wheat, said, "How in the world can you object to the Government selling out grain that it acquired under the support program, when the price reaches parity?"

He had the key word "parity." Of course, \$1.25 is not parity; it is about 50 percent of parity which, at the last reading, was \$2.53 a bushel, national average.

The farmer who participated in the certificate program will, of course, expect to realize a "blend" price which will consist of a price in the vicinity of the support price for the physical bushels he markets plus a certificate covering his share of the domestic use of wheat, valued at \$1.25 per bushel, for about 40 percent of his crop.

Overall that means about 50 cents a bushel on reproduction that is eligible.

Will he stay out of the program and plant fence to fence, on the theory that a 115-percent resale provision would produce a market price of \$1.43 $\frac{3}{4}$, national average, instead of \$1.25 or \$1.31 $\frac{1}{4}$? Will he so plant and forgo his domestic certificate valued at \$1.25 per bushel?

I have asked many farmers in a dozen wheat States about this, and I travel a great deal out among the wheat States. They think the answer is so obviously "no" that to them the question borders on being silly, unrealistic, naive. They will elect the high dollar option, and why not?

There is much in farm legislation since I began following it closely in Washington in 1932 that has been learned by experiment, by thoughtful trial and error. We should never discount that process.

I cannot imagine any experiment involving less risk or more fully expressing the President's purpose than increasing the resale price for wheat from 105 to 115 percent. At its very least, it would be construed as a small token of faith in the direction of a somewhat freer marketing system. I hope this committee will take the initiative in this matter.

Some of you came in a little bit late. I wanted to point out that associated with me here is Mr. Dwayne Andreas, executive vice president of the Farmers Union Grain Terminal Association. He has a contribution to make, if you have any questions.

Mr. PURCELL. Mr. Andreas, do you have a statement that you care to make?

Mr. ANDREAS. I simply want to endorse Mr. Hendrickson's statement.

Mr. PURCELL. Are there any questions?

Mr. CALLAN. I wonder why you took 115 percent and did not take 110 or 120 or 125 percent?

Mr. HENDRICKSON. That represents some very careful examination. I, personally, think that 115 percent would provide the flexibility, the range this is necessary. There is no one who can speak with utter and

complete confidence as to the results of the equations so I think that you ought to try 115 percent. That is fair. See how it works.

Mr. CALLAN. Do you think that 120 percent might be too high?

Mr. HENDRICKSON. Well, I am not sure that 120 percent would be too high. It might be too high the first year. I think we should see first. I am a great believer in trying to find your way around on these things. It is a little difficult sometimes to forecast the farmer's response to things of this sort.

Mr. CALLAN. Do you have any recommendations on feed grains?

Mr. HENDRICKSON. No, I have no recommendation on feed grains.

Mr. CALLAN. Thank you. That is all.

Mr. PURCELL. Mr. Quie.

Mr. QUIE. I would like to thank you for an excellent statement. We have heard statements yesterday, and you heard some of the questions that were asked and the answers that were given. You are very accurate in regard to what the Department's analysis is. I appreciate your statement. You made mention of 115 percent resale. Do you agree with me that anything less than that for wheat would not answer the problem in the marketplace as we find it now?

Mr. HENDRICKSON. I do not consider 115 percent or any figure as a magnet that is necessarily going to overcome the working of the supply-and-demand processes and bring the price up. But I think that to the extent that you can get it up there you have the secondary advantage that I did not mention here before which, I think, is terrific; that is, to reduce the cycling of stocks. I have often described it as very much like the action of a reciprocating engine. CCC takes in the wheat with one hand, and pushes it out by selling it with the other hand simultaneously. Now why go through all of this monkey business when you could just as well avoid the takeover and avoid the resale. You can do that if you have your price relationships right, or so it seems to me, plus, of course, some restraints so far as production is concerned, because modern technology in agriculture can ruin almost any price situation. I do not believe that you necessarily are going to see the price higher as a result of a 115 resale requirement. If the circumstances permit, yes, the price will go higher. And to the extent that the prices go higher that is pure speculation as of now.

We had a lot of selling by the Government in the early part of this marketing year, but we did not have a lot of selling in the latter part of the year. Many of you are very well aware, perhaps, that wheat had a very substantial reduction in price since the first of this year—a very substantial reduction. And when you study the stock figures and the CCC takeover it appears to be substantially higher than seemed likely last October and November.

Mr. QUIE. Your organization deals in soft wheat?

Mr. HENDRICKSON. Yes.

Mr. QUIE. Why was it that you chose to speak only on wheat?

Mr. HENDRICKSON. I will try to explain that. We would like to see a start made in this in this direction. We think that wheat is the safe place to start. On top of that, there is a difference. I feel that this problem has arisen in part as a side effect of the certificate plan. I am not without respect for the certificate plan. I wrote a very strong article supporting the certificate plan back in 1949 that appeared in the Country Gentleman and it was widely publicized at

the time. However, in the case of feed grains, you have one thing that has helped very, very greatly. That has been the production payment. This production payment has permitted a return of feed grain commerce to the marketplace. The production payment for this crop was raised from 15 to 20 cents and the loan support was reduced from \$1.10 to \$1.05, leaving the total \$1.25.

Our experience has been that in the case of corn this has not worked too badly. I think, it has worked very well in relieving the situation with respect to the excessive cycling of stocks which was going on in 1961 and 1962—very greatly relieved it. Then CCC sold with one hand and took over stocks with the other.

Now I feel, perhaps, that we ought to let this matter in the case of feed grains ride for a while for another year and see. At the moment our situation on corn is not bad. There is some selling by the Government. But it is by no means as substantial in volume or as serious a matter as has been true in connection with wheat.

Mr. QUIE. The selling price by the Government is at a level higher than 105 percent.

Mr. HENDRICKSON. That is right, recently in the case of corn. This is very interesting.

Mr. QUIE. And to me this proves what we are talking about; that is, that a higher resale formula would work better, because I find my farmers like the feed grain program better now than they did at its inception a year ago.

Mr. HENDRICKSON. Of course, I think that there is an added factor that we must not overlook, and that is, the crop this last year was very considerably reduced, which in and of itself justifies a somewhat higher price level.

Mr. QUIE. Would you then object if we were able to get it up to 115 percent?

Mr. HENDRICKSON. No; I would not. I would not object if you went back to 115 percent on cotton, about which I know no details at the moment. But I remember we had a 115-percent resale price for cotton earlier.

Mr. QUIE. Now as to the export of wheat. I understand Mr. Andreas is an expert on that stage. Do you have any comments on the effects the resale formula would have on exports now, and what the effects of increasing it to 115 or 120 percent would have on exports?

Mr. ANDREAS. I think that there is one very important factor here. So long as you have the 105-percent sales policy, of course, private capital does not seek to own any wheat. The Government now owns more than 75 percent of all of the wheat in the Nation. And sometime during the year the Government will own over 90 percent. So effectively, you are nationalizing the wheat business. That is the effect of the 105 selling price.

In the process of getting export orders some one has to own wheat, move it to the seaboard, put it aboard the ship. They sometimes ship a load of wheat half sold or three-quarters sold. Someone has to own the wheat and have it at the right time and of the right quality to get the order. It takes experts to do this. In order for a cooperative or a private firm to do this they have to be willing to put their money into it. Well, it is next to impossible for a cooperative or a private firm to put money into wheat and then invest in freight and

the cost of moving it to seaboard when all of the time the Government might sell an hour later at a considerably lower price than you can sell for and get your money out and a reasonable profit.

So I would say that the export trade is very seriously crippled by this. What we need is a system which will permit—which will make it attractive to people with capital to invest in wheat, so that the Government does not have to carry all of the wheat. I think that is what you folks want. I do not think you have been very eager for the Government to own all of the wheat in the United States, but that is the result of your program.

Mr. QUIE. Thank you.

Mr. POAGE. We now have about 2 billion bushels of grain of all kinds in all stages of Government ownership—something on that order; is that not correct?

Mr. HENDRICKSON. I have not added them up. I have all of the figures right here. I do not think I have that figure.

Mr. POAGE. I asked the same question before today.

Mr. HENDRICKSON. In fact, I have some of the data that would respond to the question you asked this morning, but I did not know that you wanted that.

Mr. POAGE. I do not want you to give me the exact figure—I am trying to get something in round numbers—it is somewhere around 2 billion bushels; is it not?

Mr. HENDRICKSON. Let us take wheat alone.

Mr. POAGE. I am not interested in that. We have a lot of wheat in the United States. And whether you call it 1 billion or 2 or 3 billion—call it what ever you want—there is a lot of wheat.

Mr. HENDRICKSON. 640 million.

Mr. POAGE. There is a whole lot more than that.

Mr. HENDRICKSON. The Commodity Credit Corporation owns stocks as of March 31, by the Government's own official report, 640 million.

Mr. POAGE. That is Government-owned stock. I said all of the grain in which the Government has any ownership in all stages of ownership. We all know that within the next several months the Government will buy a lot more grain.

Mr. HENDRICKSON. Yes, sir.

Mr. POAGE. All I am saying is this, I do not want to get argumentative, but I wish that we could finish this up and get through with the hearing rather than argue about a small point.

Mr. HENDRICKSON. You will not get me into that argument.

Mr. POAGE. Whether it is 1 billion or 3 billion, I just want it understood that it is somewhere in that neighborhood—a large amount of grain—that the U.S. Government owns or will own in the near future. That is correct; is it not?

Mr. HENDRICKSON. Sure—not as bad as it was, but it is still a lot of grain.

Mr. POAGE. All right. A lot of grain. Now under this program we had a witness yesterday who said that the Government would take title to that grain. And we asked what would happen to it. He said that we would keep it. Is that your answer?

Mr. HENDRICKSON. No; I do not think so. I think that the Government will, certainly, handle it. It has been handling grain. It has got to have some room in which to turn around when it comes to

handling grain. Grain that is about to deteriorate ought to be sold right then.

Mr. POAGE. I am not talking about deteriorating grain, I know about replacing it. Do you know of any other program at this time under which the Government will be able to reduce its stocks of grain, and can we get any place unless we reduce it or have a further reduction?

Mr. HENDRICKSON. I think so.

Mr. POAGE. That is what I am trying to get at. How could we do it?

Mr. HENDRICKSON. The program that I am proposing at 115 percent, remember, is only limited to the sales for unrestricted use. You would still be selling grain, redeeming PIK certificates for exports, and those would be redeemed at the market price. In the case of donation of grain, in the case of barter grain, those always come out of Commodity Credit Corporation stocks.

And then on top of this you would have deteriorated grain sold out from time to time which failed to make the grade.

Mr. POAGE. Then you do not agree with Mr. Lynn when he said that we would keep this grain. You think we would dispose of our Government stocks in the course of 2 or 3 years?

Mr. HENDRICKSON. Well, I do not know; it all depends on what reduction you get. I think that you can get the supply down. I think there is a very reasonable expectation if you project the trends that we have had in recent years where you can get down to what becomes a very reasonable defense stockpile, within a matter of about 3 years.

Mr. POAGE. We would reduce our stocks?

Mr. HENDRICKSON. Why certainly. The 115 percent does not stop you from selling grain with respect to redeeming PIK certificates; you are going to sell grain for that purpose. The PIK certificates used to pay wheat export subsidies are redeemable only in Government grain. And this is redeemable in Government grain at the current market price. They check against the market price every day.

Mr. POAGE. I understand that. You could sell grain for export at 15 cents if you wanted to, could you not?

Mr. HENDRICKSON. That is right.

Mr. POAGE. I understand that the Government can get rid of stocks of grain by giving them away. I understand that we can dispose of these stocks of grain if we are willing to take enough loss, but I hope that there would be some program whereby we could get rid of some of this stock without taking these big losses, but I gather that you do not hold out any hope of getting rid of this except to take a big loss.

Mr. HENDRICKSON. No; I do not agree with you at all on this. I say that there are two ways that you can proceed and proceed simultaneously: One, you will keep up a progressive program of reducing these stocks as it is possible to do so, but at the same time, by putting it up to 115 percent, you will reduce the annual takeover and stop this reciprocal cycling action on stocks. I say let the needs of the domestic market be met out of the current supplies in the marketplace; instead as it has worked out here—instead by stimulating, literally stimulating an excessive takeover by the Government and then meeting domestic needs from CCC sales.

Mr. POAGE. That is one of many things about the grain business that I do not understand. You feel that this takeover and release is a bad

thing. It has always occurred to me that way, too. I don't like to see every bushel pass through Government hands.

Mr. HENDRICKSON. It seems to me that it is just the principle of the reciprocating engine which has to work against itself, that is, each of its parts work against each other. That is all right for the engine, but not for the human race.

Mr. POAGE. I am inclined to think that it is bad. That is the way it has always impressed me. I understand now that you feel that it is bad if we are simply taking it in and letting it out in order to maintain our fresh stocks—and we have to do that if we are going to continue to store this grain—you would have to do that, would you not—if you got 1 million or 3 billion—I am not arguing that now—you have a large volume of grain in the Commodity Credit Corporation hands and you are not releasing this grain except at a substantially higher price—that is, this plan contemplates that—and I think that you made it clear that you contemplated that the trade would then buy a good deal of grain direct that would not go into the loan as it has been going into the loan, and I think that is fine—I am for that—I think that is a good idea—but I do not understand on this takeover and the movement in and out of the warehouse and Mr. Purcell made that quite clear yesterday, I thought—but you, apparently, disagree with him—I thought that he made it right clear that it costs just as much to move it in and out of the warehouse as it does to keep those stocks fresh, as it would if you sold the grain to somebody else under the program. Where is going to be the saving? I just do not understand it, Mr. Hendrickson.

Mr. HENDRICKSON. Let me point out that a warehouse, we will say, has a capacity of 10 million bushels. I want to be sure that you follow me on this. I repeat, the warehouse has a capacity of 10 million bushels. There is a million bushels that it has under store for the Commodity Credit Corporation. Perhaps, it has another 700,000 bushels that it has in store for various customers at a particular time.

The remainder of this space is used for merchandising, for movement in and out.

Now, we will say that you advance the price in such a way that there is not going to be a lot of takeover of grain under the loan program, because the market price is moving it along—you have been selling to meet the needs out of the current market supply. This operator of this warehouse, because he is working with a commingled item, and he has to refreshen his stocks, which is something you could not do if you put it on storage at Grand Rapids, Mich., for defense purposes—he will constantly be substituting—be moving in new grain to take the place of old grain—not just helter-skelter—he will do it as he needs to do it, as there is an advantage in doing this. He will do that without added cost to CCC. He will still be responsible to the extent that you have custodial arrangements contracted for with him.

Mr. POAGE. You have made the same statement that was made yesterday. You say that he will do it would cost.

Mr. HENDRICKSON. That is right—without added cost to the Government.

Mr. POAGE. I do not understand how it is physically possible to move it in the elevator, unload those loads, and move it around without cost.

Mr. HENDRICKSON. This is refreshing of stocks incidental to a merchandising operation. I think that this is a very difficult thing for many to understand. I am not sure that it is possible to explain it to anybody except by personal observation. It is a truly useful grain operation. I am not talking about these flat houses out here that are just living on the suffering of the Commodity Credit Corporation, but a real merchandising operation which is what we try to have in cooperatives.

Storage is only an incident to the purchase and sale and merchandising and standardizing of the commodity. And you are constantly moving grain in and out. You are constantly moving it. You have got to condition grain, process, standardize, and stand ready to meet all outstanding warehouse certificates on demand.

Mr. POAGE. That all calls for money.

Mr. HENDRICKSON. Certainly, you have a responsibility. You are being paid by the Commodity Credit Corporation for preserving this commodity. The Commodity Credit Corporation's equity is represented by warehouse receipts. It does not get the same grain that is put in storage just as you do not get the same dollar bills you deposit in a bank.

Mr. POAGE. All I am getting at is this, at least, all I am trying to find out is this, and I think that Judge Purcell tried to find it out yesterday. And I think that I am running into the same difficulty that he got into yesterday with the witness. Somebody has got to pay those costs. It is either your cooperative or the Cargill Co., that will pay those costs, just as a carrying proposition—somebody is going to pay those costs, and that person is going to be the producer, ultimately.

Mr. HENDRICKSON. Or the consumer.

Mr. POAGE. If you had a short market, yes, but not until you get a short market, will you be able to charge the consumer. So I take it that it would be the producer—that the producer is going to pay those costs and he is going to pay them just as much under the proposed program as he does at the present time. I am not trying to find fault with it.

Mr. HENDRICKSON. I know that you are not.

Mr. POAGE. I have not been able to see this, and nobody has been able to explain it to me.

Mr. HENDRICKSON. You know, I have to confess to a very great degree of incoherence at times, and I realize that I cannot always express myself adequately or precisely to explain this to you. I will throw this one at my friend here to see if he in a few well chosen words can clear up this point.

Mr. ANDREAS. Well, I would say this, that the turning of the stocks, the selection of the wheat to ship when you make a sale, is an entirely independent decision made by the warehouseman. He is going to ship certain grades of wheat, anyway, regardless of whether the Government has it or he does not. There is no added cost if the wheat is shipped to the mills or into export in the ordinary, normal course of business. The extra cost comes to the Government in the fact—I do not see why it is not clear—it is costing the Government a lot of money and that you have to take title to the wheat. You have to take it over. You have to account for it. You have to own it. And then you

someday have to sell it. All of this is costing a tremendous amount of money. And that is a complete duplication of effort.

Mr. POAGE. I come back to the proposition which was so well described in the old story. There was a king who sought an explanation of the law of economics. Finally one philosopher came in and said, "Oh, king, here in one sentence is all the economic wisdom of the world—there is no free lunch." I do not believe there is any free way of storing these stocks.

Mr. ANDREAS. Would you not agree—would you not agree that if the Government, instead of picking over 500 million bushels of a given crop, took over 300 million, would there not be a saving?

Mr. POAGE. Of course, there is a savings. We are not talking now about reducing our crop. We are talking about the release price at which we are going to release these 2 billion bushels we have. And I know and you know that the higher we put that release price the slower the rate of release will be.

Mr. ANDREAS. I am sorry, that simply is not true. And I will tell you why.

Mr. POAGE. All right.

Mr. ANDREAS. There is only one way that the Government can own less wheat, and that is for somebody else to own some wheat, and the only way that you are going to make it interesting for anybody with money to own wheat is to get your sales price up. You cannot make this wheat disappear with a wand, you know. If you do not want the Government to own it you have got to make it interesting for somebody else to own it.

Mr. POAGE. And so if the price is high and I would like to get rid of more wheat, I could do so if I could reduce the price.

Mr. ANDREAS. You would own less wheat for the following reasons: at the present time you have an office here selling wheat eagerly and boasting that they are raising money for the Bureau of the Budget. Right across the street in the same corporation is an office that is buying wheat under the price support program. The reason that this office is buying wheat is because that office is selling wheat. If you stop that office from selling wheat at low prices, this office will stop buying wheat.

We have a name for this in private industry. If we ran our business this way we would call it mismanagement, but you are selling wheat in direct competition with the current production of all of our members.

Now you can look at the statistics that might prove almost anything, but I can tell you a little about statistics. Let us say that I make a transaction with an exporter for 1 million bushels of wheat. The statistics say that I sold that wheat. What the statistics do not show is the most important factor in any transaction. It never gets into statistics. That is, why did the buyer buy it—why was the price what it was? Who else was offering to sell, how much, what kind, and at what price. The final actual transaction is a result of these unrecorded facts.

As long as the Government's wheat is offered for sale at 105, nobody is going to pay me 104¾ and 105.2.

These unseen statistics dominate the entire trade, removes private capital from the stream. And as a result you own the wheat.

And I submit, sir, that you would have a hard time to show me how you can own less wheat unless you can encourage somebody else to own part of it.

Mr. POAGE. I cannot follow that philosophy that you can, by raising the price, sell more.

Mr. ANDREAS. If you raise the price, you would acquire less. You will then own less. You will acquire less.

Mr. POAGE. We are not——

Mr. ANDREAS. My growers are selling their wheat to the Government day in and day out for just one reason, because they cannot sell it to the miller or to the exporter in competition to you. Therefore, you are getting the wheat. That is why you own it.

Mr. POAGE. Well, I can only say that you are learned in this thing and I would not claim to be so learned, but somehow or other you have got to convince me before you get my vote on this. You have told me some things that do not seem to me to square with what I have always known about prices.

Mr. ANDREAS. How do you explain the fact that the Government owns it?

Mr. POAGE. I have not sought to explain. I want somebody to explain the facts to me. And I will make up my mind what you explain to me.

Mr. ANDREAS. You would agree that if the Government owned it, sometime during the year 95 percent, that that is about as bad as you can get. Would you not be willing to try something else?

Mr. POAGE. I think that it is bad for the Government to own so much wheat and cotton and other things. I think it is bad to keep such large stocks in storage. That is why I supported the direct payments program. I think that the more of his return the farmer can get through payment rather than through a loan, the more wheat will move on the world market, and more will move in the domestic market. I think that if we can make these commodities move at a lower price there will be more of them moved.

Mr. Hendrickson suggested that we might do this in cotton. I do not know that you can do it in cotton. I know the minute that you run the price of cotton up somebody will be using synthetics and not cotton. You cannot, therefore, afford to run the price of cotton too high. It would simply destroy the market.

I assume that you do not help the market any on wheat by raising it. I know that you do not do it on feed grains. I know that I do not buy as generously when the price goes up as I do when the price goes down.

Mr. ANDREAS. You have been in Eastern Europe, Russia. They have a system there which is very similar to what is being tried here, to force farmers to sell their produce to the state with a firm ceiling price. They go about it a little differently, but the result is the same. You can see how it works there. I do not see why we have to experiment with it here. The Communists have a different word for it: they call it "forced deliverance to the state," but the result is the same.

Mr. POAGE. I think at any time that you reduce the farmer's income that you reduce his incentive to produce. I am not suggesting that you reduce his income. I am suggesting, however, that a payment for

a substantial portion of his income is better than a loan at about the market price.

Mr. ANDREAS. I am for that.

Mr. POAGE. I am suggesting that a loan above the market price tends to move all of our commodity into the Government warehouses, but if the loan is below the market price, whether it be on cotton or whether it be on grain, you are not forcing it into the Government warehouse.

Mr. ANDREAS. I could not agree with you more. That is exactly what we are advocating, that you have a loan here, and you permit the market price to float somewhat above the loan. We are not saying always above the loan. But somewhat above it, so that the farmer can put his wheat under the loan at harvest time and sometime at a later date, if the price can rise somewhat, the farmer will redeem his loan and he will sell it to his local cooperative or his local elevator, to the private trade, and it will go through the marketing channels. But if you do not permit that price to rise above the loan, then the Government must foreclose on the loan and take over the wheat and go into the grain business.

I think that what you just said is what we are after, to be permitted to have the market price slightly above the loan level. That will solve the problem that we are talking about.

Mr. POAGE. Maybe we are not at such cross purposes as we thought we were.

There is one other phase of this thing that bothers me. Maybe I am all wrong on it. It is an interesting suggestion. It was the contention that the higher release price would not keep people from cooperating in the program. I felt that it would. Maybe I am wrong on that. What percentage of the wheatgrowers are now cooperating?

Mr. HENDRICKSON. I have forgotten the last figures. It was pretty substantial in terms of acres. You do have a considerable number of very small producers. I think that acres is a much more significant figure than the number of farmers.

Mr. POAGE. The big producer, of course, goes into it much more generally than the small one. It is not much more than one-half is it?

Mr. HENDRICKSON. Oh, yes. I would take a State like Kansas and Washington——

Mr. POAGE. I am talking about the United States.

Mr. HENDRICKSON. I do not know. There are a lot of 4- and 5-acre producers in Michigan and Ohio and Indiana. I just do not see that there is much incentive for them to stay in wheat any more.

Mr. POAGE. I think that something like one-half have gone into it.

Mr. HENDRICKSON. It has been on the increase, though. It has been very striking, the increase in participation. In Michigan and Ohio I think the signup doubled last fall.

Mr. POAGE. All I am talking about is this, which disturbs me, when I see the very large percentage, whether it is one-half or one-third of our wheatgrowers who do not go into the program and have not gone in at the present time with a 105-percent release price. It would seem to me that there would be a great many less going in if you raised that release price.

Mr. ANDREAS. May I comment on that? It was not said this morning in the testimony, it was not brought out, that if the price goes up a

little bit for the noncomplier that the price also goes up a little bit for the complier so this, to a large extent, cancels itself out.

The farmers are pretty smart these days, we have found. He knows otherwise. He knows pretty closely what he can do, but in the proposal we are talking about, if the price goes up, it goes up for the complier and for the noncomplier, so that the difference between the complier and the noncomplier, which is what he looks at when he makes his compliance decision, is still very close to the same figure.

Mr. OLSON. Would you yield?

Mr. POAGE. Yes.

Mr. OLSON. That is not quite valid, Mr. Andreas, to the extent that you are talking about the complier; he has reduced his acreage.

Mr. ANDREAS. I understand that.

Mr. OLSON. So that there is a point at which he can overcome that proposition.

Mr. ANDREAS. I understand that.

Mr. OLSON. In my estimation this is the only valid point upon which we should be debating this question. I do not exactly agree on this, but if this does not hurt the compliance, then I believe that the merits in the proposal are such that there should not be a great dispute.

Mr. ANDREAS. I understand.

Mr. OLSON. In regard to what Mr. Poage has said, last year there were unusual circumstances in that this was the first year of the certificate program. Those who found out that the program change did result in \$1.30 and \$1.35 markets have changed their minds in large numbers. And as Mr. Hendrickson pointed out our signup has increased greatly. The 75-cent certificate has helped. And it is logical to anticipate that greater numbers will join the program at \$1.25 certificate. I think this makes a lot of difference.

Mr. POAGE. Not that I do not agree with you. What we have got to know is what effect does it have on compliance. Will it break down the program? Will you, to gain a 1-year advantage, break down the program?

On the other hand, if we do not break this program down, and if we can bring up the price, I think that everybody agrees that we want to do that. I believe that in 1965 we did increase the percentage of compliance to above 50 percent as against what we had before. Certainly I would agree with you that if you bring up the value of the certificate that you will have a greater extent of compliance than if you did not raise the value of the certificate. It would do more to cause me to become a participant to increase the certificate value than any other situation.

Mr. ANDREAS. I quite agree with what you are saying, but I believe that it is a matter of degree and it is our considered judgment, and we have studied a great deal that this small amount that we are talking about would not affect the compliance. You see, we are not talking about a big figure. If you had 115 percent, remember, this does not mean wheat will go to that price. There are thousands of farmers—and we deal with many of them—100,000 or more—we know what they do—if the market price moves up a little, one farmer when he can get 3 or 4 extra cents, sells his wheat and another waits for 5 cents, another waits for 6 cents, depending upon how badly he needs the money or the space or some other consideration or whether he is going

on vacation. I do not mean that you should fix a theoretical figure as 115 for the market price of wheat. I think that is a very important consideration.

Mr. PURCELL. Mr. Redlin.

Mr. REDLIN. I am sure that we want to strengthen the commercial channels of trade and put it in a healthy condition. This to me is fundamental to the whole American idea that we are talking about in agriculture. That is what the committee wants to do to protect agriculture.

I wonder if your organization has taken a position as an organization on the \$1.25 domestic certificate price on wheat. I notice that you seem to point to this providing less danger of noncompliance in view of the fact of the change in this figure. Has your organization taken any position on that?

Mr. HENDRICKSON. We have not polled the farmer's position. We have analyzed it, and we have certainly come to the conclusion that this will step up the participation very substantially.

Adding to your point, I would like to repeat one thing, and that is, that if you have only six and a quarter cents between the support price and the resale price, you have such a very narrow straitjacket for the movement that the market system cannot function. The market system has to have a certain amount of fluctuation. This is how you distribute grain. And the idea of putting it up to 115 was selected very, very carefully, not with the idea of destroying compliance or destroying this program, but in an attempt to try to carry into force and effect the objectives set forth in the President's farm message of February 4 which, as I said, is one of the fine farm messages that I have had the chance to read—one of the best that I have seen, and I have been here since 1932.

Mr. REDLIN. In my local counties in North Dakota most farmers are commercial wheat producers and they have signed up more than 98 percent in the program as of this year. And this is under a 75-cent domestic certificate. It would appear to me that if we can use these together, that is a higher release percentage and go to \$1.25 on U.S. consumed wheat, we could probably build ourselves an assurance that there will not be any noncompliance. Has your organization taken a position on using the export certificates as well? And do you believe that might be one way to further strengthen the farmer's income?

Mr. HENDRICKSON. What type?

Mr. REDLIN. I am thinking of the export payments that I got back in July as a wheat farmer, the 25 cents.

Mr. HENDRICKSON. As I understand it, under the program advocated by the administration the export certificate would be done away with.

Mr. REDLIN. This is correct.

Mr. HENDRICKSON. And we would go to the other. In many respects that would seem wise. Actually the certificate, taking into account the work of the subsidy, reversed it for a time last fall; actually, it worked as an export tax to the extent that there is at least one suit pending, I believe, in which the export certificate is challenged as being illegal on the grounds of being a so-called export tax.

Mr. PURCELL. You are appearing before the legislative branch. I happened to introduce the bill. I do not want to feel as being counted out while you are talking about it.

Mr. HENDRICKSON. Do you mean the export certificate as well as the domestic?

Mr. PURCELL. Yes, sir. I am just as interested as you are in getting the farmer a real good income. I understand something about farming. I do not think that \$3 wheat would be too high for the farmer to get. I do not want you to address yourself to the bill that I introduced. Several of my colleagues on this subcommittee have introduced identical or similar bills. I want you to know that.

Mr. HENDRICKSON. I did not realize that I was making a side journey.

Mr. PURCELL. I have been putting off Mr. Dole over here for a long time. He has been pretty quiet.

Mr. DOLE. First, I read your statement this morning and congratulate you on a very fine statement.

How do you answer the charge that this is simply a gimmick to help the grain trade?

Mr. HENDRICKSON. Well, you know, the grain trade can have a bad image, and you can call them devils or something of that sort, but it just happens that I have very great respect for the marketing industry, including the cooperatives for whom I work.

By the way, I read the statement of the young fellow from the Grange who made the statement here in which he was castigating the cooperatives. I called up Mr. Newsom later in the day, and I said, "What goes on here, because we have enough of this disharmony around among agriculture groups without picking on live corpses." But be that as it may, I will take care of that myself.

Mr. DOLE. The point I now make and that I made this morning is this, What do you feel is the reason the Department is insisting that a reasonable increase in the wheat resale price is bad?

Mr. HENDRICKSON. I spent some years in the Department of Agriculture. Frankly, I am not a mindreader. I have talked with a great many officials down there. Sometimes I find a great deal of sympathy for a higher resale price there. In fact, I thought this might be accepted, but I cannot be sure. The reason we are here is that we think that we are appearing in line with the recommendations of the President in attempting to have the grain market system work better and that this is one step—and only one step—but it is the one possible step to be taken that would facilitate the objectives that the President has laid down.

Mr. DOLE. Now, your recommendation relates only to wheat?

Mr. HENDRICKSON. Yes.

Mr. DOLE. You do not discuss feed grains?

Mr. HENDRICKSON. No; we do not discuss it for a number of reasons. I think you were not here when I mentioned that we do not feel that the situation is exactly the same with wheat. Really, to me it seems like this problem has developed with a kind of side effect in connection with the certificate program and that the production payment did do quite a bit as far as corn and feed grains are concerned. After all, you have got to start here with something.

Again, I am not trying to forecast precisely what would happen. All I know is that this 115 percent would not serve as a magnet. It would not bring the price up there. Let us experiment with it. Let

us find out—let us in good faith find out and go with this marketing system which says it can do a better job. I am sure that it can.

Farmers through their cooperatives have a tremendous investment in facilities, in personnel, in the marketing system and, roughly, represent one-third of the grain-marketing system. And I think that they would appreciate a chance to have that function well and effectively for them.

Mr. DOLE. I think it is your position—at least it is my understanding that if we do have a \$1.25 certificate value on the domestic wheat, there will be compliance with the program?

Mr. HENDRICKSON. I put it this way: Get our pencil and sit down and figure it out. You have so many acres of wheat. The difference between \$1.25 and 105 percent of the support or \$1.311¼ is 6¼ cents. If you go up to 115, that is a spread of about 18¾ cents, as I remember it. I have it in my paper. Now, if 18¾ cents plus \$1.25 is what you can expect to realize as a maximum price in case of sale but chances are the price will be close to the loan of \$1.25. Now, then, if I am going to consider the other alternative of the certificate program—if I plan to cooperate in the program, I will, of course, take the \$1.25 certificate or 40 percent. Then I will apply that over-all to my wheat in a blend which gives me a 50-cent a bushel average overall for my certificate. So that I get 50 cents plus \$1.25 if I go into this program. And then I have a chance of the market reacting, going above \$1.25, the loan price, if CCC does not saturate the market anytime the price moves ahead six cents. It could react upward if a lot of people signed up and cooperated. If the supply goes down, I have as a farmer got a chance for the price to go beyond the support price of 105 percent of the support. The market price has the chance to go up to 115 and if all the wheat that is produced is sold in the market, the Commodity Credit Corporation does not have to take over a bushel. And that would be a great thing. It would be out of the wheat business, at least for awhile.

That is about about what we achieved a number of years back in the case of wheat and corn. That is what we have relatively achieved under soybeans in next year. Supply and requirements have been in balance.

Mr. DOLE. Thank you.

Mr. PURCELL. I think Mr. Heimburger has a question.

Mr. HEIMBURGER. Thank you, Mr. Chairman.

Mr. Andreas, yesterday we had some discussion here about the effect of increasing the level of the Commodity Credit Corporation release price on export. It has been asserted, as you did today, that this would help the export market.

Mr. PURCELL. We cannot hear you, Mr. Heimburger.

Mr. HEIMBURGER. I am sorry.

It has been asserted that an increase in the release price would help the export market. I do not quite understand that. Let me refer back to your explanation that you gave in response to Mr. Quie's question.

You pointed out that in order for a trader to sell wheat he had to invest money—he had to have it in position to export it—he had to move it—he had to have the quality and the grade that was wanted by the buyer. And you said that after he had done this that the

Commodity Credit Corporation may come along and offer the same grade and quality of wheat to his potential customer at a lower price. I do not quite understand how this would happen since it is my understanding that the Commodity Credit Corporation does not deal directly or make any direct sales to foreign customers. What do you refer to there?

Mr. ANDREAS. I did not quite get that—that is not quite accurate. The Commodity Credit Corporation might make larger quantities of wheat available at any moment somewhere else that would affect the market price. What I merely mean to say is that it is a healthy thing in a commercial field to have many companies willing to own inventories and have them in position where they can be a very competitive seller at a given moment.

Now, the decisions are separate; that is, the Commodity Credit Corporation is not likely to come along and make that particular sale at that time at that particular place, but inasmuch as the private firms including the farmer cooperatives cannot afford to take the risk of owning the inventory to have it at the right place at the right time—

Mr. HEIMBURGER. I understand you now. You mean after one of your cooperatives has bought the wheat and moved it up to Seattle and has it ready to sell to somebody in the Orient, it is bought at x market price—whatever that is—that the Commodity Credit Corporation may then, before it has had a chance to consummate the deal, sell at some place at a lower price which will reduce the market for it?

Mr. ANDREAS. The value of its inventory is at risk.

Mr. HEIMBURGER. I understand what you mean by that now. There is just one further question that I want to ask.

How will the raising of the release price by the Commodity Credit Corporation—the resale price—how will that change this situation? The Commodity Credit Corporation can still sell below the maximum permitted by the release price.

Mr. ANDREAS. I would say that it would change it in this way, you would have a freer market determined within this still narrow range by the buyers and the sellers and supply and demand and you would have a hedging market so that a merchant would have a normal risk. He could carry his inventory and hedge it at the moment he makes the sale. It is a normal way of protecting himself against this risk.

Mr. HEIMBURGER. Well, may I paraphrase that to see if I understand what you are saying, which is, that if the Commodity Credit Corporation has to get 115 percent of the support price for its wheat when sold for general use then the chances are that the Commodity Credit Corporation will not be on the market there.

Mr. ANDREAS. I think that is true, but I think by the same token the chances are that the Commodity Credit Corporation will not be buying as often; and, therefore, will not need to be on the market with bargain prices.

Mr. HEIMBURGER. I will agree with that. I have no argument with that at all. I am merely trying to understand the rationale of the statement which you made and which other exporters have made that a higher release price would help the export business and I think, Mr. Chairman, that I understand what he means now.

Mr. PURCELL. You are better at it than I am, Mr. Heimburger.

Might I ask one question?

Explain to me in as simple a way as possible, please, how this export business works, because I did not know that there was anything other than subsidized foreign sales. I did not know as was brought out by Mr. Heimburger in answer to a question awhile ago that there was something else.

Mr. ANDREAS. It is true. I believe all foreign sales are subsidized. Is that true?

Mr. HENDRICKSON. That is right. Subsidies are paid in the form of PIK certificates redeemable only in Commodity Credit Corporation grain.

Mr. PURCELL. To start with, how is the subsidy figured?

Mr. ANDREAS. It is true that if the price were a little higher the export subsidy would be higher.

Mr. PURCELL. I thought that we were trying to get more foreign sales and the reason that we could not was because our subsidy was too big.

Mr. ANDREAS. No; I think the world market is a very competitive market and it is a function of the subsidy to keep us competitive abroad. It is certainly true that if the price were higher in commercial channels the export subsidy would become higher. That is, in order to keep the world market level competitive. But you see, while there may be an export subsidy on a given day of x cents a bushel, whatever it is, still many firms are competing for a specific order. Whichever one makes the sale gets the subsidy to compensate for his loss.

Mr. PURCELL. By the same token he gets 25 cents per \$1.50.

Mr. ANDREAS. Yes. That, of course, means the export subsidy would go up substantially if you put it up to \$3—that is why we say that it is a matter of degree—it is a matter of degree, and a matter of careful measurement. Taking 115 we think that is the minimum that will cause this market system to function properly.

Mr. PURCELL. What is your understanding of the reason that we have not sold more wheat in foreign commerce since the Russian sales?

Mr. ANDREAS. That is due to several different reasons. The reason we have not sold to the Russians and to Eastern Europe is a very simple one. We are required to ship on much higher priced ships, on American bottoms. And, therefore, our price is way out of line and we cannot sell a single bushel as long as that regulation is there.

Mr. PURCELL. Do you recommend that we change that?

Mr. ANDREAS. I recommend that you change it. I certainly think it should be changed.

Mr. PURCELL. Of course, we do not have much to do with the ships that it goes in. Are you claiming that what you are recommending here would change that, that which you just referred to?

Mr. ANDREAS. No. I think in that case we are out of business as long as that regulation exists. We cannot possibly do anything.

Mr. PURCELL. You do not expect to be able to sell very much wheat in foreign trade?

Mr. ANDREAS. In the Eastern European countries? No.

Mr. PURCELL. All right. Where else would you be selling it?

Mr. ANDREAS. Let us say Venezuela, South America, and elsewhere—those are dollar markets. We are competing with Canada in selling it.

Mr. PURCELL. I thought one of the reasons that we could not very well compete with Canada was because of this export certificate.

Mr. ANDREAS. The final price is the price including the subsidy, and that is the function of the subsidy. And if we are not competitive we lose our markets. It is true that we have lost some of them. I think the Department should be commended for trying hard to be more competitive. I think they are making some progress.

Mr. PURCELL. I think so, too. You have almost talked me into the impression that maybe there is some merit in pushing for the export subsidy. But if you are going to put 18 or 20 or 22 cents back on it, I do not know that we will be much better off.

Mr. ANDREAS. I do not think that it is realistic to refer to this proposal as being 22 cents.

Mr. PURCELL. It will be something.

Mr. ANDREAS. It may be something—it may be 4 cents or 5 cents, but also it would mean that there is a possibility of the market rising sometime during the year to 18 cents—that exists—and this is the thing that makes people willing to own wheat. Hope has a lot to do with markets.

Mr. PURCELL. All right. Does anybody else want to try it for some more?

Mr. OLSON. What is the normal pattern of the action of the wheat market now as far as the price fluctuating?

Mr. ANDREAS. It is very, very dead right now, and very low.

Mr. OLSON. What I am trying to get at is, from harvest time through the next 10 months, what is the normal pattern of the price of wheat?

Mr. ANDREAS. It is pretty hard to determine the normal, because every year is different, but there is a tendency for wheat to sell at a low level at harvest time or a little bit below, and to sell at the loan level or above later in the year. We feel that is the purpose of the loan to protect the farmer from having to take too low a price.

Mr. OLSON. The prices go up after harvest?

Mr. ANDREAS. Yes. There is a tendency for that.

Mr. HENDRICKSON. I think that there is an additional point that might be made; that is, we do face this year, you see, an adjustment of a nickel down in the loan price for the new crop. And the certificate goes up from 70 to 75 cents. And the loan goes down a nickel. And this, naturally, means that nobody is going to go into a new crop year with any inventory if they can help it.

Mr. ANDREAS. Right.

Mr. OLSON. Is this a valid observation, then, that the price of wheat had to be discounted at harvest time in anticipation of storage costs in the months ahead?

Mr. ANDREAS. That is true.

Mr. OLSON. In other words, most agricultural products are seasonal and require storage. The Government cannot store wheat for nothing, nor should we expect the warehousemen to say they will. The trade will not buy ahead of time stocks that it cannot use in the immediate future.

Mr. ANDREAS. Right now most of the people only buy what they need tomorrow.

Mr. OLSON. Your position is not to do more than allow the trade some assurance that it can increase its money and carry more of the supply of wheat than it can at the present time.

Mr. ANDREAS. I am not too much worried whether it will allow the trade to do that. Really, what we are talking about here is much more than that. This system that we are recommending, if it were adopted, we believe the farmers themselves would market their own crops through the local elevators and the marketing system would function.

Mr. OLSON. Because you are able——

Mr. ANDREAS. To pay a little more.

Mr. OLSON. To pay a little more?

Mr. ANDREAS. Yes.

Mr. OLSON. Why do you pay a little more—you cannot have the wheat sitting on hand that will be competing with the 105 resale or plus carrying charges.

Mr. ANDREAS. We could then pay a little more, because the buyers would not be sitting back in great comfort knowing they can buy it from the Government any moment at 105 percent. You see, Mr. Olson, this committee itself recognized that a range is desirable. That is why it was made 105. So what we are taking about was the thought that 5 percent was not the right range. We do not think it was. The Department has told us that this committee has instructed them to sell it at 105 and not permit the market to go up. If that is true, maybe this committee would like to instruct them to sell at 115. That is what we are after. That is what we are asking for.

Mr. OLSON. Thank you. That is all.

Mr. PURCELL. Mr. Callan.

Mr. CALLAN. I notice that you did not mention farm income in your statement. I am trying to figure out from the testimony that we have had the last day or two whether we are talking about legislation for the grain trade or for farm income. What do you think as to the farm income?

Mr. ANDREAS. I think it will increase the farm income. I think it will decrease the cost to the Government in doing business.

I would like also to say that I am not here to apologize for being for the preservation of the private grain trade and the cooperatives, because it is my firm belief that the private grain trade and the cooperatives can do a better job of marketing the grain than the Government can. I am not about to apologize for that. I am proud of it.

Mr. CALLAN. We have not talked about farm income very much.

Mr. ANDREAS. Let us talk about it?

Mr. CALLAN. How will this raise the farm income?

Mr. ANDREAS. We have said here a number of times that the price of wheat will go up a little bit. Who do you think will get that money?

Mr. CALLAN. How much?

Mr. ANDREAS. I do not know how much, and neither do you and neither does anybody else. It depends on the supply and the demand.

Mr. CALLAN. If it goes up substantially, then chances are that the next time around we might not get compliance, is this not true?

Mr. ANDREAS. No, that is not true.

Mr. CALLAN. If the price goes up you would not get compliance?

Mr. ANDREAS. That is not true.

Mr. CALLAN. What do you think the price of wheat should go to? If we do not get compliance do you think it will get up close to the certificate or \$1.80 a bushel, and if it does, that we will get compliance?

Mr. ANDREAS. I think that you will get compliance. Remember that the average noncomplier grows less than 13 acres. He may have a dozen other reasons for not complying. Even the fact that it is such a small part of his income that he does not want to bother to do it. There are many, many things that enter into compliance, but the non-complier is a very small producer and this little item of a few cents a bushel is such that it is inconceivable to me—and I have studied it very carefully—that there is any validity to the argument that this will discourage compliance. It is just not so.

Mr. CALLAN. Do you agree that the same thing happened to feed grains?

Mr. ANDREAS. Well, feed grains have not been handled quite the same way. You have feed grains selling at more. There is a range in feed grains.

Mr. CALLAN. So you do not think this will apply in the same way?

Mr. ANDREAS. Everything is a matter of degree. There is no question but that a very much higher price on feed grains would affect the decision of the farmers on compliance.

Mr. CALLAN. Thank you.

Mr. PURCELL. If there are no further questions, we thank you very much. We are not moving on because you are out of knowledge, but because we have two more witnesses to hear. I will next call Mr. Harvey Sickles of the National Farmers Organization.

STATEMENT OF HARVEY SICKLES, NATIONAL FARMERS ORGANIZATION, CORNING, IOWA

Mr. SICKLES. Mr. Chairman and members of the subcommittee, I am Harvey Sickles and I have the privilege of presenting to you Mr. Pfingsten, vice president of the National Farmers Organization, who will offer the testimony today.

Mr. PURCELL. We will be glad to hear from you, Mr. Pfingsten.

STATEMENT OF ERHARD PFINGSTEN, VICE PRESIDENT, NATIONAL FARMERS ORGANIZATION

Mr. PFINGSTEN. Mr. Chairman and members of the subcommittee, I am Erhard Pfingsten, vice president of the National Farmers Organization. I have with me Mr. Harvey Sickles, secretary.

We are here to testify in support of continuing the 105-percent level of the percentage of supports that Government stocks of supported commodities can be sold at. We believe to raise the level at which Government stocks can be sold would cause noncompliance the following years and could eventually destroy this farm program. To raise the level at which Government stocks can be sold would also cause additional costs to the Government and would result in making it harder to pass future farm legislation.

The present practice of selling at 105 percent has enabled the Department of Agriculture under the able direction of Secretary Freeman, to reduce the stocks of feed grain from 84 million tons down to

about 50 million tons by carefully selling Government stocks into normal market channels at the proper time during each growing season so as to not to disrupt the normal market price pattern. This has been done carefully enough not to force the price down to less than support price. We must bear in mind that the level at which Government stocks can be sold also includes carrying charges.

We realize this has caused problems for some of the trade because they like to buy grain at a low price from the farmer and then after they have gotten the supply in their hands, raise the price enabling them to make their profits at the expense of the producer.

The selling of CCC stocks at 125 percent will discourage compliance in the farm program after the first year. Farmers will not participate in any voluntary program that protects the noncomplier. They never have and they never will.

I would say there that I made a bad choice of words. I should have said that favors the noncompliers and I would like to add here, getting away from the written statement, that I do not even believe that we have to actually arrive at that condition to destroy compliance. I believe that if the possibility or the probability presents itself that the program would not be complied with. I have not forgotten the wheat referendum of a year or so ago when the farmers voted against \$2 thinking that they would make more money at \$1.35 without the Government program. So you do not even have to reach that condition where the noncomplier is getting an advantage; if it looks possible for him to get it, they will have it.

I would like also to point out, as Mr. Olson has here, that it does not equally protect the complier and the noncomplier for the reason that he gave. A complier, for example, in the feed grain program has eliminated 40 percent of his acreage and sometimes as much as 50 percent in order to get that additional price. So that if most of them received the same price the complier has a very definite handicap; and no farm program, voluntary program, will work even under the possibility of that.

If we build our grain stocks up to the previous level of 84 million tons, then we will have this whole miserable experience to go through again.

If this 135 percent of the support price is used on wheat and not on other feed grains, and you have a short crop the first year, the price of wheat on the market will rise. The wheat farmer will see no reason to comply. He will be encouraged to plant all available land to wheat and in 1 year, you will have lost all gains made in the reduction of Government stocks.

We urge you to raise the support level. The feed grain program can be used to reduce supply and give farmers more bargaining power. We are convinced that any percentage increase of the release price of Government stocks will in the end destroy the farm program.

We urge the members of this committee to do all they can to keep this from happening. We hope that every individual and every organization interested in the welfare of agriculture will strive to defeat the proposal to sell Government stocks at any percentage increase over the 105 percent of support price.

You, Mr. Chairman, and members of this committee, have a very difficult task ahead. We hope this testimony today has been of some help to you. We appreciate your dedicated efforts in trying to work out farm legislation that will satisfy everyone. We thank you for your time today. Mr. Harvey Sickles, our legislative representative, will be visiting with you from time to time. We will be glad to answer any questions any of you may have.

Mr. PURCELL. Mr. Poage.

Mr. POAGE. I am not sure that you or anybody else can explain this program. I cannot understand the logic behind some of the statements that have been made. But what you say counts with me. You are talking like somebody who knew something about the way the farmers will react. I think it is quite important for this committee to understand how the farmers will react. I very much appreciate the kind of statement you have given us, because I believe it is quite clear that is the way that the farmers do react and that if we jeopardize compliance under the voluntary programs we have destroyed all programs. There is not any question about that.

I do not know at what figure you destroy it. The experts that have been before us the last several days are in complete disagreement. We have had statements here from some of the organizations, that at one time I understood supported higher release prices, but who now feel that 110 percent is the proper figure. We have just heard that 115 was the proper release price. Yesterday we heard that 120 or 125 was the proper release price. I do not believe that anybody knows what the proper release price is, you or I or anybody else, but I think that you are exactly right when you say that when it looks like to the farmer that by staying out he can do as well as those that go in, that most of them are going to stay out.

Mr. PFINGSTEN. That is the point, what can they be led to believe.

Mr. POAGE. Certainly it does not make any difference what the actual figure is, it is just a question of what they believe. And if we give them reason to believe, you do not even have to give them a reason to believe that, but if you give them a reason to believe that Mr. Olson here is going to do better by staying out than I am by staying in, I am going to stay out, too. I will not let him stay out and do better than I do.

Mr. PURCELL. We have variety on this committee. We do not like to get into a rut. I am going to ask Mr. Quie if he has any questions. He may not agree with Mr. Poage.

Mr. QUIE. Thank you, Mr. Purcell. You commented outside of your prepared statement that if both the complier and the noncomplier received the same price that they will no longer comply.

Mr. PFINGSTEN. Yes, the point I am trying to make, Mr. Quie, and I have been getting this out of the testimony, you see, that if the price is advanced or the selling price is advanced to 115, and I have heard as much as 125, that the complier receives the same advantage that the noncomplier does. Well, I maintain that he does not. While he is receiving it on that portion of the grain that he has produced, he has sacrificed the production in order to get this, in the first place. And I maintain that the rate of payment on the acres retired is not equivalent to what that price of 125 percent of the loan price would be

in the retired acres. I mean the payment for it would not be the equivalent of what he could get on full production on that 40 percent.

Mr. QUIE. And then you say on the next page of the statement that it would raise the support level.

Mr. PFINGSTEN. Yes, that would not upset anything, possibly more than the noncomplier. I cannot feel too sorry, really, for the noncomplier, because I think that while the rest of us are trying to solve this problem the noncomplier is actually adding to it. He has that privilege of complying to help solve this problem, but if he does not take advantage of it he is asking for it, in my opinion. I think this is what has kept us in this position. I think that if the farmers had been complying with the programs that the Government has given us our problem would not be what it is today.

Mr. QUIE. You say that when you increase the support levels a noncomplier will not benefit the same as the complier?

Mr. PFINGSTEN. Not necessarily to the same extent. I do not think he would. If the market price did not follow—although I think that, by and large, the support price pretty much guides the market price, usually it amounts to just about the minimum that the law will allow, and that is pretty much what it has been doing, setting the price.

Mr. QUIE. You oppose any increased return to the farmer?

Mr. PFINGSTEN. Oh, no, I do not.

Mr. QUIE. You oppose any increased return to the farmer by increasing the resale price?

Mr. PFINGSTEN. I think it would actually hurt him. I do not think it is there. It would be very brief. I do not even believe that it would be there in the first place, because I think that compliance would be destroyed before he ever got the program into effect.

Mr. QUIE. The compliance cannot be destroyed within 1 year. The only way that compliance can be destroyed is in the next year if they feel that they can make more money on their land by staying out. The market price of corn went up, as I said this morning, to \$1.32. This is about as much as it would go if we increased the resale formula to 125. It would be less if you increased it to only 115 percent. And because of the action of the Secretary in withholding it from the market it has increased the market price. We have not seen any decreased compliance. If you increase the resale formula, is there any reason why the \$1.32 that we received in the resale formula would be any more detrimental than the \$1.32 when the formula was \$1.05?

Mr. PFINGSTEN. If the resale—

Mr. QUIE. If the support price.

Mr. PFINGSTEN. I think it will have a tendency—that same tendency to destroy the price—if you destroy compliance.

Mr. QUIE. If the resale formula were 125 percent rather than 105.

Mr. PFINGSTEN. I do believe that it will help this program.

Mr. QUIE. Why?

Mr. PFINGSTEN. Because they figure it out, they will figure that they can do better by putting all of their acres in and get the \$1.30.

Mr. QUIE. It was not that?

Mr. PFINGSTEN. It was not when they signed up. It is not \$1.30 in western Iowa now. It was \$1.18—2 miles from my home. That was yesterday.

Mr. QUIE. Well, use different figures than the \$1.32.

Mr. PFINGSTEN. The \$1.32 was possible and probably I think that there are such areas, that is, where there is no corn in those areas, but up in western Iowa there is corn and the highest price that has been paid is being paid right now at \$1.18 a bushel.

Mr. QUIE. If you get \$1.18 in western Iowa, would the resale formula of 125 percent be any more of an inducement for a farmer to stay out of compliance than when he is getting \$1.18 when the resale formula was 105?

Mr. PFINGSTEN. Because he is not up there to that point that he would be with 125 percent. That is much higher than \$1.18.

Mr. QUIE. What is the support level in western Iowa?

Mr. PFINGSTEN. \$1.05.

Mr. QUIE. Are you at the national average?

Mr. PFINGSTEN. Just about. Just about—almost exactly, yes.

Mr. QUIE. And so already you have a 13-cent price overlap?

Mr. PFINGSTEN. Right.

Mr. QUIE. This is higher than 105 percent?

Mr. PFINGSTEN. Yes. But it is not 125 percent.

Mr. QUIE. It is something like 120.

Mr. PFINGSTEN. 125 percent would be about \$1.35, \$1.30 to \$1.35 for corn.

Mr. OLSON. Will you yield?

Mr. QUIE. Yes.

Mr. OLSON. You have to consider the carrying charges are added to the 105.

Mr. QUIE. I know that. I realize that is the case.

Mr. PFINGSTEN. That would be \$1.35. It would make a lot of difference, between \$1.18 and \$1.35, because my neighbor can still see that I have an advantage by complying but at \$1.35 he would try to be pointing out to me what a sucker I had been trying to solve the problem.

Mr. QUIE. And he receives \$1.35.

Mr. PFINGSTEN. If he received \$1.35.

Mr. QUIE. If you both received \$1.35, then what?

Mr. PFINGSTEN. But he did not get it.

Mr. QUIE. You both received \$1.18—you would receive whatever the market price is.

Mr. PFINGSTEN. Yes, but it is not yet equal to mine, because I received the additional 19 cents a bushel for complying.

Mr. QUIE. That would continue to be in addition to the market price.

Mr. PFINGSTEIN. That would—wait a minute. I do not follow you on that. Come again.

Mr. QUIE. Both the complier and the noncomplier received the market price.

Mr. PFINGSTEN. Right.

Mr. QUIE. If the market price goes to the loan level, the complier can redeem his market price.

Mr. PFINGSTEN. This is the point I am making, the 19 cents would be part of the payment and is not the equivalent of producing corn, let us say, at \$1.35 a bushel. The noncomplier would have an advantage in that. We can produce 85 to 100 bushels an acre of corn. That makes quite a difference.

Mr. QUIE. But on the next page you say that the increase in the support level, if he got \$1.35, would increase the support level, and

here again the support level goes to both the complier and the non-complier.

Mr. PFINGSTEN. No; not necessarily.

Mr. QUIE. The way you establish the support level is not by holding it off the market so that the market price goes up to the support level?

Mr. PFINGSTEN. Well, that would not make any difference, so far as I can see, whether that support level were \$1.05 or \$1.35. I think that the situation would remain the same. I think the ratio between the two would remain the same, regardless. The way you are arguing then the \$1.05 would give the noncomplier more disadvantage than the \$1.35. I do not see that at all, because we both move proportionately the same there. If we had that now on top of that \$1.35, that is, if you had 125 percent that it could be sold for, then at that point you would be adding another almost 40 cents a bushel to it.

Mr. QUIE. If you increased the loan to \$1.35, then everybody would get, perhaps, more, because leaving the formula at 105 percent plus the carrying charges would not be selling at a figure less 125 percent plus the carrying charges. And this would bring the market up about to that level, if you left the loan at \$1.05, as I understand it, an increase in the retail formula; that is, if you increased the retail formula, there is a possibility that the market price would increase—and there is a possibility that it would not, and then everybody would be engaged in a gamble in this case.

Mr. PFINGSTEN. I do not think that it would make any difference between the complier and the noncomplier as to where the support level is. I think the difference comes in how much above that support level you are going to hold that to.

Mr. QUIE. Here is what you said, that if you multiply what the farmer receives plus the production on the total acres it would be much greater than the diverted payment plus the direct payment and he will stay out of the program. You maintain that a program of increasing the support level would make certain that everybody would get a higher price and would be much better off.

Mr. PFINGSTEN. No; I do not follow that at all or agree with you at all on that, because I do not think that there is a particle of difference, other than that there is more income really to both of them, but there is no difference to me, anyway, whether that support price is at \$1.35 or \$1.05 on whether you get compliance. I think that the hooker is in this 125 percent of the support price for resale. That is where I think the problem lies.

Mr. QUIE. The problem to me in talking with some of my friends who are in my district is that they tell me that what they are primarily interested in is developing an organization which they can bargain with for the price of their products, and I hope that the farmers can improve their bargaining power. That is one of their problems. One of the reasons that I want the resale formula increased is that it puts the Government out of the competitive aspect of the business. And by holding it down to 105, you are asking competition from the Government that you and your organization are trying to prevent.

Mr. PFINGSTEN. No; I think that in our program—in my program is that if the Government leaves this about where we are recommending it here, that the Government is one of the greatest instruments in making my program work, because my program is going to work better

if we succeed in reducing or eliminating the surpluses and this is, you will note, the point that I make throughout this testimony, that I do not want this farm program destroyed to where we go right back into noncompliance to where we were in the first place, because my collective bargaining program will work best if surpluses are gone, and I think that the Government is doing a real good job for me on that. I have never considered the U.S. Government a competitor of mine.

Mr. QUIE. As to the feed grain prices on loan for 1961 and 1962, it was admitted by the Secretary of Agriculture, sitting right where you are right now, that he held the prices down for compliance. How do you suppose that the wheat prices are going to be if it was not for the resale formula holding them down?

Mr. PFINGSTEN. I am not acquainted with those figures that you are referring to, and therefore would not comment on them until I know exactly what they are. I did not hear them.

Mr. QUIE. Your organization bargaining for feed grains states that if these commodities are eliminated from the surpluses, feed grains would be helped. But that will not come about because we know it will be the policy of the Government to keep some grain in the Commodity Credit Corporation reserve. And with the formula of 105 and the Commodity Credit Corporation reserve in the Secretary's hands, any time he wants to he can manipulate the market price.

Mr. PFINGSTEN. Do you really believe that if we, as farmers, succeeded in taking care of our price problem that our Government would make a deliberate attempt to destroy it?

Mr. QUIE. The Secretary of Agriculture sat there and said that he has used this authority to reduce the market price.

Mr. PFINGSTEN. He did not destroy my program. I mean it the other way. If we succeeded in solving our farm pricing problem I do not expect my Government to deliberately do something to upset it. I have confidence in our Government and in our Secretary of Agriculture.

Mr. QUIE. You are saying that we just follow the Government program rather than the market system.

Mr. PFINGSTEN. There are things that we cannot do by ourselves in the marketing system. And I think that in cases of this kind we have no place else to turn but to our Government and I will not go along with the fact that our marketing system has done an inadequate job for us. If it had, I would not be arguing for farmers to put in a different marketing system.

Mr. QUIE. Well, then, you are for Government regulation rather than for the market system?

Mr. PFINGSTEN. I do not think that the market system in the past has worked at all to raise our prices. I think that the Government has most certainly made sincere efforts to do so.

Mr. QUIE. I understand your philosophy. Thank you.

Mr. PURCELL. Mr. Olson?

Mr. OLSON. I am tempted to comment on the colloquy that has just gone on, but I will refrain from taking the committee's time to do so. Mr. Pfingsten, I will ask you if you are sure that this would be detrimental on wheat as it would be on feed grains?

Mr. PFINGSTEN. There is a possibility that it would not be as severe on that.

Mr. OLSON. In your statement I notice that you qualify your reference to high resale as affecting wheat with the statement, if this 125 percent of the support price is used on wheat and not on other feed grains, and you have a short crop the first year, the price of wheat on the market will rise.

I would like to point out that in my estimation it is impossible to have a short crop of wheat any year in the United States of America. That is, you just are not going to see a wheat crop in this day and age that will be equal to any less than our domestic consumption—anything in excess of our domestic consumption is surplus to our domestic use and surplus to the price we know is needed by the farmers. Government stocks are free to enter into the export market, into the Public Law 480 programs, without regard to the resale price. There is a strong feeling that higher resale would not be necessarily detrimental in wheat because of the different circumstances of the commodity.

Mr. PFINGSTEN. I think it would be more severe in feed grains than it would be in wheat but I would still like to see them stay the same.

Mr. OLSON. Thank you.

Mr. PURCELL. Mr. Greigg?

Mr. GREIGG. I want to commend you for a positive statement. I have long thought the feed grains program has been most effective, and that one of the most positive features of the program has been the reduction of surpluses. You have stated that this has added strength to your bargaining position.

Are there any other avenues in the total feed grains program where you feel that your bargaining power has increased as a result of this program?

Mr. PFINGSTEN. I think it very definitely has, but the problem has not completely been taken care of. This is one reason I am in hope of having the farmers in a position before too long to do their own pricing. And, of course, if the feed grain program does eliminate the surpluses, I do not think that anybody will argue but what we are in a better position in our program if supply is equal to the demand. While I want to go along with supply and demand in our organized economy, we will set a fair price for it, and I do believe that it has to be considered very definitely.

Mr. GRIEGG. Thank you.

Mr. PURCELL. Mr. Dole.

Mr. DOLE. Pursuing what Mr. Olson was discussing, are you objecting to any increase in the resale price, so far as it relates to wheat?

Mr. PFINGSTEIN. Yes, we would like to keep it at 105.

Mr. DOLE. Do you have a number of wheatgrowers in your organization?

Mr. PFINGSTEN. Yes, we represent a lot of wheatgrowers but we do not think that we are the dominating force in the wheat area. The Northwest we do not have organized.

Mr. DOLE. If there were a compromise at 115 percent, would you be opposed to that in the bill, if there were such a compromise?

Mr. PFINGSTEN. I will never go that way, that I would oppose a bill because I cannot get just exactly what I want. That is not my way of playing the game. I will take what I can get. And I do urge the committee, as much as I can, to give us what we do want, but

I will never take that stand that if I cannot win on one particular point that I want to throw it all out.

Mr. DOLE. The point is, so far as you are concerned, it would not be a fatal defect in the bill if it was accepted.

Mr. PFINGSTEN. Not a fatal defect on wheat, but I do think it would be on feed grains. I do not think it is as severe in wheat as the certificate that plays a bigger part in wheat than it would in the feed grain program, but I still do not think that it would be any good for us to have an increase. I think it would hurt. I think it would be a better program if it were held down to 105 percent. That is what I would like to have, but I certainly would not condemn it, if I did not get exactly what I wanted.

Mr. DOLE. Thank you.

Mr. PURCELL. Mr. Bandstra.

Mr. BANDSTRA. Does your organization represent anyone at all in the economy other than the producers of food?

Mr. PFINGSTEN. No, sir. Your question is, as I gather it, Can anybody but farmers get into our organization? This is part of our membership agreement. Farmers and farmers only in our organization. We believe that for this very reason, that some organizations in the past or other groups have made that mistake, where anybody and everybody gets into the organization, that the business interests take it over, and the farm interests are sold down the river. And for that very reason this is part of our membership agreement, that a man cannot get into our organization unless he is a producer. And when he ceases to be a producer, he is no longer a member, even if he has been a member.

Ours is, I think, the only organization that is made up of farmers and only farmers.

Mr. BANDSTRA. Thank you.

Mr. PURCELL. Thank you very much. We have one more witness, gentlemen, Mr. Ed Jaenke of the Department of Agriculture. We will be glad to hear from you now, Mr. Jaenke.

STATEMENT OF E. A. JAENKE, ASSOCIATE ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE; ACCOMPANIED BY ROLAND F. BALLOU, DEPUTY ADMINISTRATOR, COMMODITY OPERATIONS; AND CLAUDE T. COFFMAN, OFFICE OF GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE

Mr. PURCELL. I am sure that every word in your statement is worthy of note.

Mr. JAENKE. I do not plan to read it.

Mr. PURCELL. If you have any way of reducing it in volume it would be appreciated.

Mr. JAENKE. I had assumed that might be the wishes of the chairman. It is the wishes of the witness, too.

I would appreciate including the statement in the record as if it had been read.

Mr. PURCELL. Yes, it will be made a part of the record at this point.

(The prepared statement of E. A. Jaenke, Associate Administrator, Agricultural Stabilization and Conservation Service, follows:)

STATEMENT OF E. A. JAENKE, ASSOCIATE ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman, members of the committee, in his testimony early this month before the House Committee on Agriculture, Secretary Freeman stated the Department's sympathy with the objectives but opposition to the specific proposals which would increase the Commodity Credit Corporation's minimum price for sales of grain stocks on the open market. The present program, on the other hand, is increasing farm income and stabilizing prices.

A number of bills before the Congress would raise the minimum from 105 percent of the loan rate to other levels as high as 125 percent—plus reasonable carrying charges in both cases.

I would like to examine those proposals with you, to see, if we can, what effect they would have.

First, what do the proposals mean in dollars and cents per bushel?

Under existing legislation, a minimum of 105 percent of the loan rate plus carrying charges, the CCC sale price for wheat is \$1.31 per bushel U.S. average at the beginning of the crop year. Each month after that, carrying charges of 1½ cents per bushel are added for a total of 9 months. The legal minimum for wheat for April and the balance of the marketing year would then be \$1.44½ per bushel national average. For terminals, the minimums would be much higher.

Assuming that the proposed minimum is 125 percent plus carrying charges, the CCC sale price, for the next marketing year, based on the loan rate for wheat as it is now, would range from \$1.56 for the first month to \$1.69½ later in the marketing year. Of course, if the minimum price were raised to 115 or 120 percent, the figures would not be as high, but they would still be significant.

The situation is slightly different for feed grains. Corn is supported in 1965 at \$1.25 a bushel, but that includes a price support payment of 20 cents. The loan rate is \$1.05 per bushel. The Feed Grain Act of 1963 authorizes sales to redeem payment-in-kind certificates at not less than the current loan rate plus carrying charges. The CCC minimum sales price during the next marketing year beginning October 1, then, ranges from \$1.05 to \$1.18½ per bushel for corn national average.

Any proposal to raise the minimum price by amending section 407 of the Agricultural Act of 1949 would not affect the present minimum for redeeming certificates acquired by farmers as diversion payments, our General Counsel advises us. His advice is that such sales may be made in the future, so long as CCC has on hand any feed grain payment-in-kind certificates issued under 1965 or earlier programs.

But when the certificate pool is exhausted, the proposed minimum sales price for corn, if it is 125 percent of the support price plus reasonable carrying charges, would range from \$1.56 to \$1.69½, just like wheat, because sales under section 407 are based on a percentage of the full price support (which for feed grains consists of the loan plus the payment). CCC minimum sales prices for the two commodities would be the same under the proposals, even though wheat is the more valuable. (The two loan rates, and the present CCC sales prices, represent about the proper relationship between wheat and corn if wheat is to be used for livestock feed.)

Minimum sales prices for other feed grains now and under the 125-percent proposal are: Grain sorghums, \$1.73¼ per hundredweight now and \$2.50 under the higher rate; barley, 80 cents per bushel and \$1.20; oats, 60 cents per bushel and 75 cents. All these prices are for the first month of the crop year.

Under existing legislation, soybeans and flaxseed can be sold at 105 percent of the support price, which is the loan rate, plus carrying charges—or they can be sold below this price “for the extraction of oil,” as provided by section 407. The present minimum sales price under the formula for soybeans is \$2.36, and it would become \$2.81 under a 125-percent minimum. Flaxseed can now be sold by CCC for \$3.05, and the minimum would become \$3.63. Most soybeans now being sold by CCC are for the extraction of oil, and the price is the loan rate plus 20 cents, or \$2.45 per bushel. This is possible because the demand is strong and it is not necessary at this time to use the “extract for oil” provision.

Those are minimum CCC price levels as they are now, and as they would become under the proposed minimum sales price of 125 percent plus carrying charges.

But they are not market prices.

Under what conditions could those proposed minimum prices become the market price? Or, to turn the question around, would holding CCC stocks off the market make prices rise to 110 or 125 percent of the loan rate? The answer is "Yes" but only when supply is significantly below estimated requirements.

In the early part of the crop year, when producers sell grain or place it under CCC loan, market prices are normally set by the total supply of grain. If the price does not rise, the basic cause is too much grain. If the price does rise, the basic cause is less grain than the market demand.

After the maturity date for CCC loans, whether or not prices rise still depends on the amount of grain available for the market. A few cents over the loan would cause producers to redeem their loan collateral. If enough grain was in this position, prices still would not rise much above the loan. Insulating CCC stocks by a higher sales minimum would not affect this relationship at all.

The one thing that will cause market prices to rise is for the supply of grain to drop below the demand for it.

Under present and foreseeable conditions, successful grain commodity programs are the only way the Nation's producers can bring their supply more into line with demand. Thus, the commodity programs are working toward conditions that will cause prices to rise.

So when we examine proposals to increase CCC minimum sales prices, we also must consider what effect those proposals will have on our commodity programs. If these proposals have the result of reducing the effectiveness of the supply-adjustment programs, they automatically limit the opportunity for the higher prices they seek to accomplish.

If many farmers thought higher CCC sales prices would increase market prices to any great extent, they would not participate in the voluntary wheat and feed grain programs. Instead, they would stay out of the program and increase plantings. Under such conditions, feed grain and wheat production in 1966 would be well in excess of demand. Under those conditions, buyers would be able to buy all the grain they wanted at prices below or close to the loan rate as they did in the 1950's. The fact that CCC had made no sales would have no effect on the market.

Consequently, farmers would probably get a lower price for their grain than under existing conditions—and they would also lose any benefits they would have obtained from participation in the voluntary commodity programs.

When we are talking about farm wheat prices, we are talking about a national average of about \$2.08 this year, including the 70-cent domestic marketing certificate, if forecasts hold up. This price is 8 cents above the loan rate plus certificate value.

In the 1963 crop year, the average price was \$1.85, or 3 cents over the loan rate. In 1962, the price was \$2.04, or 4 cents over the loan rate. In 1961, the average price was \$1.83, also 4 cents over the loan rate. During the preceding 10 years, average farm prices for wheat ran from 3 to 17 cents below the loan rate. In 1958, the average price was \$1.75; in 1959, \$1.76; in 1960, \$1.74.

Average farm prices for corn have been 8 to 14 cents per bushel above the 1960 level for the past 4 years. During the past 2 years, prices have been above the loan level. By contrast, average farm prices for corn were below support levels nearly every year in the 1950's.

Average corn prices for some of these years include 99.7 cents in 1960, \$1.08 in 1961, \$1.10 in 1962, \$1.09 in 1963, and \$1.14 in 1964—if forecasts hold up. Loan rates for the same years were \$1.06 in 1960, \$1.20 in 1961, \$1.20 in 1962, \$1.07 in 1963, and \$1.05 in 1964.

Corn prices for the last few years of the 1950's, and the loan rates for the same years, were \$1.29 average price and \$1.50 loan rate in 1956; \$1.11 average price and \$1.40 loan price in 1957; \$1.12 average price and \$1.36 loan rate in 1958; \$1.04 average price and \$1.12 loan rate in 1959.

A look at those prices shows that CCC sales have not prevented an improvement in market returns. The higher recent prices are the results of reductions in production from participation in the voluntary programs.

Prices have increased during the past 4 years. Annual realized net farm income during these years has averaged \$900 million higher than in 1960.

In this period, record high levels of grain stocks have been reduced to manageable levels. Wheat stocks are down from 1.4 billion bushels to 900 million

bushels. The feed grain carryover will have decreased from 85 million tons to about 56 million tons by the end of the current marketing year. Further reductions are in prospect for 1965.

CCC sales of wheat last year were unusual because of a major program change. The Commodity Credit Corporation sold nearly 50 million bushels of wheat for unrestricted use from July to October to meet commitments made to the milling industry and to comply with the directive of Congress that the transition to the new wheat certificate program be accomplished without hardship for processors. Since mid-October, CCC sales of wheat for unrestricted use have been only 5 million bushels. Such sales are not being made at this time.

This special situation should not occur again, and we expect that in future years CCC sales of wheat will be relatively small.

As a result of the wheat and feed grain programs, therefore, stocks have been reduced since 1960 by more than 1.5 billion bushels. If CCC held this quantity in its inventory for a full year, carrying charges would be about \$650 million.

The increase in farm income and decrease in Government costs have come from sound farm programs coupled with sound management of grain stocks.

It has taken 4 years to get these results.

It would take only 1 year of increased production spurred by the hope for higher market prices to wipe out the accomplishments of those 4 years.

Production greatly in excess of demand—resulting from higher prices—would increase acquisitions by CCC. Costs of storage, handling and interest for maintaining the increased inventory would climb again and would continue as long as the commodities were held in CCC inventory.

And a higher minimum CCC sale price would insure that the increased stocks would be held longer.

Inevitably, therefore, with lower farm income, increased stocks, and increasing Government costs, the voluntary commodity programs would be rendered ineffective.

It is probably true that, during the first year of operation—with the smaller stocks on hand—insulating CCC stocks from the market by a higher minimum could result in higher market prices for grains.

If the legislation were effective for feed grains on July 1, 1965, market prices might well rise during the last quarter of the current marketing year.

But only those farmers who had the foresight, the facilities, and the finances to hold their 1964 crop until July 1 would profit by the increase.

Studies show that normally 60 percent of the feed grain crop sold off farms has been moved by the end of March, the end of the first 6 months of the marketing year. By July 1, the end of the third quarter, 80 percent of the off-farm sales have been made.

If a higher resale price were made mandatory on July 1 for corn, the price at harvesttime in 1965 would be in the neighborhood of the loan rate, \$1.05, and could conceivably rise to \$1.70 during the marketing year. This compares with the range of 13 cents in weighted average prices for No. 3 Yellow corn at Chicago during the last marketing year—from \$1.15 to \$1.28. The market stability shown in this range would vanish under higher resale prices.

Livestock feeders have been able to plan ahead with the assurance of stable feed prices, but they would no longer be able to do so.

Up to this point, we have considered domestic aspects of the proposals. We must also explore what effect the proposals might have on exports.

World prices are more affected by the total world supply and demand than they are by U.S. domestic prices. Currently, world wheat prices are below domestic prices, and to obtain our fair share of the market the Government must make an export subsidy payment equal to the difference between U.S. and world prices.

An increase in domestic prices for wheat would have little or no effect on world prices, but it would require an increase in the subsidy paid out on every bushel of wheat exported.

For some time now, no export payments for feed grains have been necessary. If domestic prices rose to a much higher level than they are now, an export subsidy payment would be necessary to maintain exports at current levels. Current exports of feed grains will total about 675 million bushels. A subsidy payment on this quantity would materially increase costs to the taxpayer.

It has been recommended by some that the problems which would result from sharply raising, by law, the sales prices for CCC grain could be met by lowering the loan rate on wheat to about a dollar and on corn to about 90 cents.

The loan rate has a decisive influence on farm prices and farm income—particularly to small farmers. Farm returns are still significantly below parity of income today, and this being the case, raising resale prices by law and, as a result, forcing a lower loan rate does not seem to be the best policy.

In summary, the Department of Agriculture and the administration share the stated objectives of these proposals—that is, to strengthen prices, to make maximum use of market forces in guiding production and of private marketing facilities in handling commodities, and to minimize CCC activities in marketing commodities.

However, as we have indicated, we do not believe the proposals to sharply increase the minimum CCC resale price would accomplish these objectives. In fact, we believe that the enactment of such legislation would, in the years ahead, (1) result in less returns to producers because of the reduced effectiveness of the voluntary supply adjustment program, (2) result in instability in feed markets to the detriment of our livestock industry, and (3) probably result in increased acquisition costs and storage and handling costs for CCC stocks, as well as increased export subsidy costs.

Mr. JAENKE. Mr. Chairman and members of the subcommittees, I would like to summarize the statement giving the position of the Department.

I believe the secretary indicated in his testimony before your committee several weeks ago our sympathy with the objective of this proposed legislation—and other bills that have been introduced—and our concern about the effects of increasing the minimum sales price of CCC grain stocks. Briefly, these effects over the long run are three or four.

First, we do not see how this proposal could avoid reducing income over a number of years. And this, I might add, results from the effect we believe this higher resale price would have on compliance with the voluntary grain programs for which we are recommending continuation for the next 2 years.

Second, we believe the proposal would result in instability in the feed market. And here again we are speaking of the effect on farmers' income.

The effect of this proposal would be fluctuating feed prices during a year when production is below requirements. Prices would be near loan levels at the beginning of the marketing year but would move to much higher levels at the end of the year. If these higher prices resulted in reduced program participation the next year and production exceeded requirements, then prices would be near or below loan levels.

Third, we believe that the general effect would be to raise costs to the Government—the cost of these voluntary programs would increase in several ways. The main increase would be the subsidy cost. We are now subsidizing the export of every bushel of wheat that leaves this country. And the higher the price, the more subsidy on that wheat.

In the case of feed grains, our crops are now moving on the world market without the benefit of subsidy.

But the higher price level contemplated under most of these bills—120 or 125 percent, or even 115 percent—would probably put us into a subsidy position on feed grains. Thus we would also be subsidizing every bushel of corn and milo that we exported.

In addition, we believe the proposed legislation would reduce compliance in the voluntary diversion program. If this occurred, it could mean a reversal of the trend toward smaller stocks to one of

increased stocks. Thus, it would mean higher costs to the Government for acquisition, storage, and handling increasing quantities.

So, on the basis of less return to the producers of grain, of less stability in market prices to feeders of poultry and cattle, of increased stocks and costs and of reduced compliance, we have serious reservations about all of the bills which would raise the minimum resale price.

That briefly is our position. I will be happy to answer any questions about these matters.

Mr. PURCELL. Mr. Dole.

Mr. DOLE. In view of your testimony, I am wondering what the President in his message meant when he said:

Our objective for the farmer must be to improve the farm income in the marketplace with less cost to the Government.

Mr. JAENKE. Mr. Dole, I could only speculate as to exactly what the President may have had in mind. I believe that he was referring to the wheat and rice programs that the administration has proposed. Under these, the farmer would get a higher proportion of his price out of the marketplace. The milling and baking and other industries would pay the full parity price for their requirements.

Mr. DOLE. In the next paragraph there is a statement urging the private segment of our economy to carry its own inventory, bought from farmers rather than depending on the Government as a source of supply. What was the President referring to in his statement?

Mr. JAENKE. Here he is referring to the type of program that we have in feed grains as opposed to the sell-back type of operation in 1961 and 1962. As you will recall, the basic concept of the program was that CCC would assist participating farmers in marketing the payment-in-kind certificates they received—and market them at prices which would maintain a price spread between the complier and the noncomplier.

We have altered this concept somewhat in the last 2 years. We have a direct payment program in feed grains. And the wheat certificate program is comparable in that the market operates freely and on top of the loan. The farmer who participates in the program and reduces corn acreage receives 20 cents a bushel as a direct payment.

Mr. DOLE. But you have gotten away from the President's message of February 4, asking the Secretary of Agriculture to so utilize the Commodity Credit Corporation as to make the free market system work more effectively for the farmer. This was the problem when the message was sent up. It was February 4 this year when the President made his statement.

Mr. JAENKE. A problem as of that time, you mean?

Mr. DOLE. When he said you had the problem in the statement just made.

Mr. JAENKE. He was proposing, in his message, continuation of this type of program both for wheat and feed grains. This is the administration's request.

Mr. DOLE. Do you see any distinction—I read your statement very hastily—between wheat and feed grains?

Mr. JAENKE. Distinction as to what, sir?

Mr. DOLE. Do you see any possibility of increasing the resale price on wheat and not bothering the present feed grain formula.

Mr. JAENKE. Well, I think that the market prices of these two grains must be comparable as long as we have the present type of wheat program. A key feature of the program is the authority to substitute an acre of wheat for an acre of feed grains, and comparable market prices must go hand in hand with that authority, and with its use. I think the wheat producers, by and large, believe that they have an opportunity to expand. I think the record will eventually show this, and that the use of wheat as a feed grain has increased where wheat is being grown on feed grain acreage.

If the present price balance were disrupted by increasing wheat prices, it could cause the stocks of wheat to build up very rapidly. Obviously, this should be avoided, and avoiding it would probably necessitate not using the authority for substitution.

Mr. DOLE. Thank you.

Mr. PURCELL. Mr. Olson.

Mr. OLSON. I notice that you used a lot of qualifying language when you talked about the substitution, the price relationship between wheat and feed grains.

In looking at this it is my understanding that we are talking about eliminating the export subsidies, the export certificate. That is your recommendation?

Mr. JAENKE. We are asking for a continuation of the authority. We indicated that, as far as we can tell now, we probably would not need to use export certificates, at least not in the same amount we have now. Some situation would develop where we would use them in the future.

Mr. OLSON. In the past your substitution of wheat for feed grains has been affected by the payment of the export subsidy.

Mr. JAENKE. No, sir; I do not believe so. Under this year's program, for instance, for 1965, the farmer will receive domestic certificates of 75 cents per bushel on a maximum of 45 percent of his allotment's normal production, bringing his returns up to \$2 per bushel; and, on up to 35 percent of his allotment's normal production, he gets an export certificate worth 30 cents a bushel. On the remainder, he gets the market price based on the loan, or he is guaranteed the loan.

The export certificate does not interfere in anyway with the present free operation of the market in keeping wheat and feed grains competitive.

Mr. OLSON. What happened the past year so far as the use of this in substitution?

Mr. JAENKE. Substitution is in effect in 1965 for the first time.

Mr. OLSON. What happened?

Mr. JAENKE. We do not know the final results yet. The information we get from our visits out in the country and from contacts with farm organizations and others is that, in certain sections of the country, substitution is being used rather widely. There was a lot of interest in it during the signup period, both last fall for wheat and this spring for feed grains.

Until we actually check compliance and the results are in, we will not know the precise number of acres involved.

Mr. OLSON. In which direction is it now moving to expand wheat acreage?

Mr. JAENKE. Well, indications are that it varies by areas. In the traditional farm belt area—in Illinois and Indiana and Ohio—during the last decade or so, the producers have taken advantage of the 15-acre exemption and have brought into production a small acreage of wheat. The word we get as of now is that these farmers are not interested in bothering with just a small acreage of wheat and instead are planning to substitute and produce feed grains on wheat allotment acreage.

In other areas of the country—in the Western Plains and in the Pacific Northwest where they were producing barley and milo—they are likely to produce more wheat, since it is a more efficient and economical crop and fits into their farming operations better.

Our best studies in the Department of Agriculture—as we indicated 2 or 3 years ago when we first requested it—is that there would probably be pretty much of a balance in the shift so, the net effect would be to make the farming operations more efficient and practical for the individual farmer.

Mr. OLSON. That is all. Thank you.

Mr. PURCELL. Are there any further questions?

Mr. Quie.

Mr. QUIE. In other years you have laid out examples of compliance, that is, what those who complied received and what the noncompliers received. Do you have such figures to prove that a slight increase in the market price of feed grains brought about a good reaction from the farmer—that a change in wheat price would invite him into using wheat or growing wheat—will it be an inducement for him to earn more money than what he is earning now?

Mr. JAENKE. Over the years we have done quite a bit of work on this matter, Mr. Quie. First, we had to do it in determining the price support level and the diversions payment level to try to determine the level necessary to encourage farmers to participate in the program—to give them an opportunity to get more income by coming in than they would receive by staying out.

We do have an example worked out, which, for feed grains, shows the incentive to participate at varying levels of diversion.

I would be happy to provide this. I have only one copy and some backup material here.

(The information referred to follows:)

Corn farm example: Comparison of returns less production costs to nonparticipant and participants in 1965-type program with different market prices (as market price increases, advantage to participant decreases)

Item	With \$1.05 per bushel market price		With \$1.14 per bushel market price		With \$1.50 per bushel market price (125 percent of support)	
	Nonparticipating 100 percent of base	Participant diverting 40 percent of base (average for signup)	Nonparticipating 100 percent of base	Participant diverting 40 percent of base (average for signup)	Nonparticipating 100 percent of base	Participant diverting 40 percent of base (average for signup)
Acres:						
Base	100	100	100	100	100	100
Diverted	0	40	0	40	0	40
At low rate	0	0	0	0	0	0
At high rate	0	40	0	40	0	40
Harvested	100	60	100	60	110	60
Yield per harvested acre (bushels):						
Actual	68	71	68	71	68	71
Normal	63	63	63	63	63	63
Production:						
Actual	6,800	4,260	6,800	4,260	7,480	4,260
Normal		3,780		3,780		3,780
Value per bushel (dollars):						
Loan rate	1.05	1.05	1.05	1.05	1.05	1.05
Market price	1.05	1.14	1.14	1.50	1.50	1.50
Price received	1.05	1.14	1.14	1.50	1.50	1.50
Diversion at low rate	.25	.25	.25	.25	.25	.25
Diversion at high rate	.625	.625	.625	.625	.625	.625
Price support payment	.20	.20	.20	.20	.20	.20
Income factors						
Crop value	\$7,140	\$4,473	\$7,752	\$4,856	\$11,220	\$6,390
Diversion at low rate	0	0	0	0	0	0
Diversion at high rate	0	1,575	0	1,575	0	1,575
Price support payment	0	756	0	756	0	756
Production costs at \$25 per acre	-2,500	-1,500	-2,500	-1,500	-2,750	-1,500
Total	4,640	5,304	5,252	5,687	8,470	7,221
Advantage to participant		+664		+435		-1,249

NOTE.—Diversion payment: \$0.625 times 63 bushels equals \$39.37.

Mr. JAENKE. Basically, this shows that participation in the current feed grain program on 100 acres offers an advantage in this theoretical example, with the market price equal to the loan. The advantage to the corn farmer who diverts 40 percent of his base is \$664.

In other words, the farmer who participates and diverts 40 percent obtains a net return that is \$664 greater than if he does not participate.

If the price were raised, or if the farmer felt the price would be \$1.50 per bushel, which is approximately 125 percent of the support price, his net return—using this higher estimated price—would be \$479 more if he stayed out of the program and planted his base acreage than if he diverted 40 percent. If he planted 110 percent of his base, he would get \$1,249 in returns more than if he diverted 40 percent.

Mr. QUIE. And the same thing on the 115 percent?

Mr. JAENKE. The numbers would be different—the effect would be the same; yes, sir.

Mr. QUIE. What about 95 percent?

Mr. JAENKE. The first assumption that I gave you was the market price at 100 percent of the loan price—\$1.05 per bushel.

Mr. QUIE. What about reducing it to 105—what do you figure that is here?

Mr. JAENKE. I do not have that particular column in this table.

Mr. QUIE. Those figures would indicate the amount of money that would come to the farmer.

Mr. JAENKE. Yes, to a corn farm with a yield of about 70 bushels per acre. With a higher yield on the farm, the advantage is less. That is why in the very high yielding areas—the areas that are getting 125 and 130 bushels per acre of corn, such as in Illinois—our participation is down. For 1965, the percentage of the base signed by Illinois participants is slightly greater than participation in the 1963 and 1964 programs, but less than 1961 and 1962. Through 1964 the percentage declined steadily.

Mr. QUIE. The price would have as much effect on the yields where they are much higher than the so-called normal yields on which he is being paid the direct payment and the diversion payments?

Mr. JAENKE. I think that is part of it. I think other factors come into play.

This year during signup time, the prices of corn in Illinois were about a nickel to a dime above the loan level. All of our people, the farm organization leaders from that State, including some from the Illinois Agricultural Association, indicated that they thought this was a deterrent to sign up on these very high yielding farms.

In other words, when you are getting 130 or 140 bushels per acre, unit costs are low enough so that if a producer plants his entire base or more than his base, he finds it more advantageous to stay out of the program, even at current market and loan levels. A simple illustration shows this.

Assume that a producer expects to get a yield of 120 bushels per acre and has a normal yield of 90 bushels established for his farm. His

returns with market prices being equal to loan rate would be about as follows:

A. If he does not participate: 100 acres×120 bushels=12,000 bushels	
at \$1.05-----	\$12, 600
B. If he decides to come into the program and diverts the minimum 20 percent of base:	
80 acres of corn×120 bushels=9,600 bushels at \$1.05-----	10, 080
Price support 80 acres×90 bushels=7,200 bushels at \$0.20-----	1, 440
Land diversion 20 acres diverted at \$22.50-----	450
Costs savings on 20 acres at \$25-----	500
Total-----	12, 470

In this case, the total returns are higher for not participating. If market prices, as a result of increased sales prices, are above the loan rate, the difference between not participating and participating would be even larger.

Mr. QUIE. So that this is the fault of the program rather than the actual yield or what they hope would be the actual yield, rather than the price itself.

Mr. JAENKE. As I said before, I think the question of the payment rates, which are based on normal yields, rather than the actual yield of recent years is only one aspect of it.

I think another factor is that the price of corn to these noncooperators in the market was quite a bit above the loan level—by a nickel to a dime—particularly at river points. These farmers find it better to produce and get around \$1.15 on the market than to reduce their acreage to 80 or 60 percent of the base.

Mr. QUIE. This last year's price of corn was above the resale formula.

Mr. JAENKE. The resale formula for feed grains under the Feed Grain Act excludes from section 407 sales made to redeem certificates and sets the resale at the loan level, plus reasonable carrying charges. The price was above this; yes, sir.

Mr. QUIE. Did this in any way cut into the participation?

Mr. JAENKE. Well, as I just indicated, I was referring to the sign-up for 1965 and as an example I used Illinois.

Mr. QUIE. I mean nationally.

Mr. JAENKE. We do not know what signup would have been with a lower market price. In fact, for 1965 the loan rate for corn is \$1.05, compared to \$1.10 for 1964. Farmers signed up for the 1965 program because of the lower loan and higher price support payments.

Mr. QUIE. I mean nationally.

Mr. JAENKE. Nationally, the signup for the 1965 program was higher than for the 1964 program.

Mr. QUIE. Higher?

Mr. JAENKE. Yes. Much of the increase was in the barley grain sorghum area. The substitution privilege brought many of these farms into the program. The lower loan rate was also a factor.

Mr. QUIE. The farmer received a higher market price and, if he did, this does not mean less compliance.

Mr. JAENKE. Market prices were higher and signup was greater. However, we must also consider the other factors mentioned—the new loan rates, higher price support payments, substitution, and so forth.

Mr. QUIE. You proved that in Illinois. There are other areas where they comply less because they received less.

Mr. JAENKE. I do not think it proves a thing. Perhaps if the price had been at the loan level, there might have been 40 million acres signed up. We had a lot of factors involved in the State of Illinois. You will remember this was an area where they suffered rather severe drought conditions last summer. There are crop insurance benefits in this program and our experience has been that any kind of a program which provides some type of crop insurance is much more desirable the year following a year in which farmers have lost their crops than it was the year before.

This is only logical. A farmer's inherent desire is to be able to produce as much as he can. He has had this drilled into him from the time he was a child. I can remember my dad's talking about this.

Secondly, he is going to look very carefully at a voluntary program. Does it pay me? Do I get more?

I think the dollars-and-cents return is what counts. And quite obviously, if corn prices are going to be \$1.35 or \$1.40 or \$1.50, or if farmers think they will reach that point, many farmers are not going to find it advantageous to come into the program.

Thus, we think compliance would be reduced very sharply—perhaps not in the first year, but in the next year after the higher resale prices and production below requirements had brought about higher market prices.

Mr. QUIE. Then it is a matter of opinion and, also, a matter of one's philosophy about the marketing system, whether it is functioning as it is now or the Government is a competitor to the extent that it is now in wheat and was in feed grains. I admit that in the last year—the last marketing year—the Government, through its action, marketed substantially less in feed grains.

Mr. JAENKE. Thank you.

Mr. QUIE. Why did you reduce the loan on feed grains?

Mr. JAENKE. For 1965?

Mr. QUIE. Yes.

Mr. JAENKE. In an effort to make the program more attractive to the farmers so that more would comply. We widened the spread between the loan and the total support. With the continuing increase in yields, we felt that we needed additional acreage diverted from the production of grains in 1965 in order to continue our efforts to stop excess production.

Mr. QUIE. If you had increased the loan, instead of decreasing the support, if there had been an increase in the loan, rather than a reduction in the loan, it would have made a \$1.15 loan. If it had been made, there would have been an increase in the market price, a corresponding increase, would there not?

Mr. JAENKE. It would have depended on the size of the price support payment and participation in the program. If the total support had been maintained at \$1.25 and the loan at \$1.15, I think participation would have dropped rather sharply this year and—given normal weather conditions—too much corn would have been produced. The price probably would not even have reached the loan level.

Of course, this is speculation, but we believe this is what would have happened if farmers had anticipated an increase in market prices.

Mr. QUIE. So that if an increase in the loan had occurred you would not have had to wait for the results for the year—the announcement would have caused a reduction in compliance of 50 percent, would it not?

Mr. JAENKE. The farmers would, probably, have assumed that an increase in the loan level would result in higher prices and fewer farmers would have participated.

Mr. QUIE. Thank you.

Mr. PURCELL. Are there any other questions?

If not, thank you very much, Mr. Jaenke.

And let me thank all of those who have testified this afternoon.

We will recess now until 10 a.m. tomorrow morning.

(Whereupon, at 6:35 p.m., the committee recessed to reconvene at 10 a.m., Wednesday, April 28, 1965.)

WHEAT CERTIFICATE VALUES

THURSDAY, APRIL 29, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WHEAT OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 4:30 p.m., in room 1310, Longworth House Office Building, Hon. Graham Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell, Foley, Bandstra, Callan, Latta, and Dole.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimbürger, general counsel; Robert C. Bruce, assistant counsel; and Martha Hannah, staff.

Mr. PURCELL. The subcommittee will come to order. We will now hear from Mr. Carl C. Farrington.

STATEMENT OF CARL C. FARRINGTON, VICE PRESIDENT, ARCHER DANIELS MIDLAND CO., AND CHAIRMAN OF THE COMMITTEE ON AGRICULTURE OF THE MILLERS' NATIONAL FEDERATION, MINNEAPOLIS, MINN.

Mr. FARRINGTON. Mr. Chairman and members of the subcommittee, my name is Carl C. Farrington. I am vice president of the Archer Daniels Midland Co., Minneapolis, Minn., and chairman of the Committee on Agriculture of the Millers' National Federation.

I am appearing here today on behalf of the Millers' National Federation. The membership of the federation includes some 85 to 90 percent of the flour milling capacity of the United States. We appreciate very much this opportunity of appearing before you to express our views.

In line with long-established policy of the Federation to take no position on farm legislation unless the interests of the milling industry are directly or adversely affected, my testimony will be directed primarily to the provisions of section 379d of the Agricultural Act of 1938, as amended, and the further amendments to that section contained in section 104 of H.R. 7097.

During the 1964-65 marketing year the wheat processing industries of this country are being subjected to a certificate liability or processing tax of 70 cents per bushel of wheat put into process. For 1965-66 this levy is to be increased to 75 cents per bushel. The amount collected in 1964-65 exclusive of export refunds or subsidies on flour will be

in the neighborhood of \$350 million based on an expected 500 million bushels of wheat processed for domestic use. For 1965-66 the wheat processing tax collections on wheat processed for domestic use are estimated at \$375 million. If the total wheat support rate is increased to 100 percent of the so-called parity price for wheat as proposed by the Secretary under the provisions of H.R. 7097, if the parity price for wheat continues at its present level of \$2.53 per bushel, and if the wheat loan rate remains at \$1.25 per bushel, the annual tax burden on processors and domestic users of wheat and wheat products beginning July 1, 1966, would be increased to about \$640 million.

Up to now the wheat processing tax has been a serious financial burden to the flour milling industry. Theoretically, flour prices should have been increased sufficiently to pass the burden of the tax on to bakers and eventually to the ultimate consumers of wheat products. Thus, far, however, the prices received by millers for bakery flour have not increased sufficiently to cover the cost of wheat certificates, and millers are incurring heavy financial losses on bakery flour production. Eventually we hope this situation will be corrected but presently the milling industry is unable to pass on the full amount of the present processing tax. The higher tax provided by H.R. 7097 would further compound the serious income problems of this industry and further limit its opportunities for expanding consumption.

There is a chart attached showing wheat and flour prices bearing on this paragraph.

We strongly protest the singling out of wheat for the imposition of a processing tax. Payments totaling \$1 to \$1.5 billion are being made annually on feed grains. Payments in the neighborhood of one-half billion dollars are being made this year with respect to cotton. These and other commodity payments are being financed directly or indirectly by the general revenues of the U.S. Government. We do not believe there is a sound economic basis for this special financing arrangement on wheat and we urge that whatever payments are authorized on wheat be financed in the same manner as the payments on cotton, corn, milo, and barley.

Plans have been announced for eliminating or reducing a number of Federal excise taxes this year. The certificate liability on wheat constitutes the heaviest and most regressive excise tax being levied by the Federal Government. During the current year this levy adds about 40 percent to the cost of wheat to mills and to the cost of bulk white panbread-type flour at Midwest mills. If the domestic support were increased to full parity and the farm loan rate were set at \$1.25, the resulting certificate cost would be equivalent to 75 to 80 percent excise tax on flour millers.

This special financing is directed at a basic food product which finds its greatest use among lower income groups. Surveys by the U.S. Department of Agriculture show clearly that the lower the income group, the greater their dependence upon wheat products—both in percentage of food expenditures and in the actual quantity of poundage of wheat products purchased.

This is demonstrated by the following tabulation based on USDA surveys:

Annual income per family	Percent of food budget for wheat products	Home use of wheat products per person per week (pounds)
Under \$2,000.....	6.6	3.8
\$2,000 to \$2,999.....	5.9	3.2
\$3,000 to \$3,999.....	5.8	2.8
\$4,000 to \$4,999.....	5.3	2.6
\$5,000 to \$5,999.....	5.1	2.6
\$6,000 to \$7,999.....	4.8	2.5
\$8,000 to \$9,999.....	4.6	2.3
\$10,000 and over.....	3.8	2.2

In connection with our position that wheat should not be singled out among grain crops, the National Planning Association in 1964 issued a report recommending a joint program for wheat and feed grains because in their words—

The grains are interrelated in production and substitutable in various uses, they should be considered together in national agricultural planning—just as they are individual farm planning.

The National Agricultural Advisory Commission, an official body appointed by the President, has likewise recognized the interrelationships between wheat and other grains and has recommended that the feed grain program become, “a more comprehensive land retirement measure designed to provide a cushion between agriculture’s capacity to produce crops and the amounts currently needed,” and that, “the first step in broadening the feed grain program would be to include wheat.”

Congress has authorized cooperating producers to substitute wheat for feed grains and feed grains for wheat. This substitution provision is economically sound and is popular with producers, but is likely to be an administrative nightmare so long as wheat and feed grains are treated as separate programs.

On the consumer side there are numerous areas of competition between domestically produced wheat products which are taxed and other domestically produced and imported products which are not taxed. Breakfast cereals are made from corn, oats, and rice as well as from wheat. Corn and rye as well as wheat are used in making bread, rolls, and muffins. Corn, rye, barley, and rice as well as wheat are used in the manufacture of beverages. Untaxed bread is being imported into border areas of the United States. Untaxed high ash flour is imported into the United States in substantial quantities. Wheat gluten produced in the United States is suffering from the competition of imported wheat gluten on which no certificate liability is imposed. Wheat starch, if freed from the burden of the certificate processing tax, could be competitive with starch from other domestic grains and imported tapioca and other starchy materials in numerous food and industrial uses and applications. Huge quantities of starchy materials, both domestic and imported, are used in the paper and plywood industries. Research findings recently announced

by USDA indicate a large potential use for wheat in the paper industry. But research designed to increase the use of wheat is discouraged or made useless by this heavy processing tax burden imposed on wheat alone.

What the total effect of this wheat tax on consumption will be we do not know. But we do know there are numerous areas of competition involved. We know that an increasing percentage of flour is being bought by purchasing agents who are concerned with millions of hundredweights of raw materials and they will not be unmindful of a tax cost of \$2.75 to \$3 per hundredweight of wheat flour in analyzing what they are paying for starch, protein, and other food nutrients. We know that a \$2.53 cost per bushel farm basis for wheat for domestic processing will result in unprecedented cost relationships among raw materials for food products. On a per pound basis this will mean a cost for wheat farm basis approximately $2\frac{1}{4}$ times the cost of corn, $2\frac{1}{8}$ times the cost of oats, 2 times the cost of barley, and $2\frac{3}{8}$ times the cost of sorghums. Such abnormal price relationships are certain to have an effect on the volume buyers of starch, protein, and other food nutrients and industrial raw materials.

While this legislation purports to provide wheat producers with a parity return on that portion of their production used for domestic food purposes, the results do not work out that way among the producers of the various classes of wheat. The domestic certificate payments are made to cooperating producers on the basis of a uniform 45 percent of their allotted production. But the certificate tax is collected on approximately 80 percent of average Durum production; 72 percent of Hard Red Spring wheat production; 64 percent of Soft Red Winter wheat production; 30 percent of Hard Red Winter wheat production; about 20 percent of White wheat production; and an average of about 40 percent of total production of all classes of wheat. The discrepancy among classes of wheat becomes even more marked when the percentage of producer participation in the various areas is taken into consideration. Participation is relatively low in the Soft Red Winter wheat areas in the eastern half of the United States and as a result domestic certificate payments are being made on only about 25 percent of the Soft Red Winter wheat producer in these areas as compared with the 64 percent of their production on which the certificate tax is being collected. The inequities of the program are obvious.

If, in spite of these fundamental objections, the Congress should, nevertheless, see fit to continue the wheat certificate liability, the greatest care should be given to eliminating some of the inequities and undesirable economic consequences which are existing under the present legislation. This is particularly important if substantially higher certificate costs are to be expected.

In this connection we are pleased to note that the Secretary has requested a redefinition of food products which will permit him to limit the application of the wheat processing tax to wheat product to be used for human consumption.

This will permit a number of industrial uses of wheat—such as adhesives for plywood, pet foods, and wet end additives in the paper industry to be exempted from tax without resorting to denaturing processes, subterfuges, and strained interpretations.

The prospect of even greater processing taxes under the provisions of H.R. 7097 made it essential that attention be directed to the exemptions that now are in effect, additional exemptions proposed, and other exemptions which may be needed. Wheat processed for use on the farm where grown is currently exempted. Up to now this exemption has not involved much volume but administratively it is burdensome. With the tax being increased to 100 percent or more of the farm loan rate, the use of this exemption may expand substantially and makes one wonder as to what is the basis for this exemption. The right to produce wheat certainly is not an index of poverty and it seems a bit anomalous that a producer may be eligible to receive payments financed by processing taxes on other users of wheat and at the same time exempt him from the processing tax on the wheat he uses.

We note that the Secretary proposes to exempt wheat produced by a State agency and processed for use by a State agency. With the possibility of a tax saving \$2.75 to \$3 per hundredweight of flour, this exemption could lead to extensive wheat production and processing activities, perhaps on a contract basis, by State agencies. Is this exemption essential, and if so, could it not be limited to those few cases where this has been the practice in the past? On the other hand, no exemption is provided with respect to domestically produced products which are seriously threatened by imported wheat products on which no processing tax is levied. Wheat gluten is a case in point. Large quantities of wheat gluten are being imported from Canada and Australia where the price of wheat and wheat products are basically the world prices for these products. We believe it would be appropriate to provide that whenever the Secretary finds that any component derived from wheat flour is being or is practically certain to be imported into the United States under such conditions and in such quantities as to reduce substantially the amount of such component produced in the United States from domestic wheat flour or to threaten producers of such component with substantial economic injury, the Secretary may exempt in whole or in part from the certificate liability imposed by section 379d(b) of the Agricultural Act of 1938, as amended, the wheat or wheat flour which is processed into such component.

All of the foregoing are illustrative of the problems involved in including taxing provisions in agricultural legislation. We repeat that we firmly believe wheat should not be singled out for the imposition of this heavy certificate processing tax levy and that whatever payments Congress authorizes be made to wheat producers should be financed in the same manner as the payments to or on behalf of the producers of cotton, corn, milo, barley, and other commodities; i.e., the general revenues of the United States.

We urge the Congress to delete from the existing and pending legislation any grant of taxing authority to the Secretary of Agriculture in the form of requiring domestic processors of wheat to purchase so-called wheat marketing certificates, or in any other form. Regardless of the terminology used this is a revenue measure. This certificate program does not meet the test of reducing Government expenditures. It merely offsets some of those expenditures by a new and regressive form of Government revenues. Neither does this legislation meet the test of encouraging greater use of the marketplace to bring a fair return to wheat producers except in the sense that any excise tax or

sales tax becomes a market cost factor. Under this program wheat producers will be dependent on Government payments for an even larger share of their wheat income payments they will receive without regard to the quality of wheat they produce, the ultimate use of that wheat, or the guidance for the allocation of productive resources that would be afforded by the marketplace.

Mr. Chairman, that is the formal statement that I had prepared before reaching here. I have listened to some of the testimony today and yesterday and I have prepared a supplemental statement which I think might be helpful in answering a number of questions which have arisen. If I may, I would like to present that supplemental statement now.

Mr. PURCELL. You may.

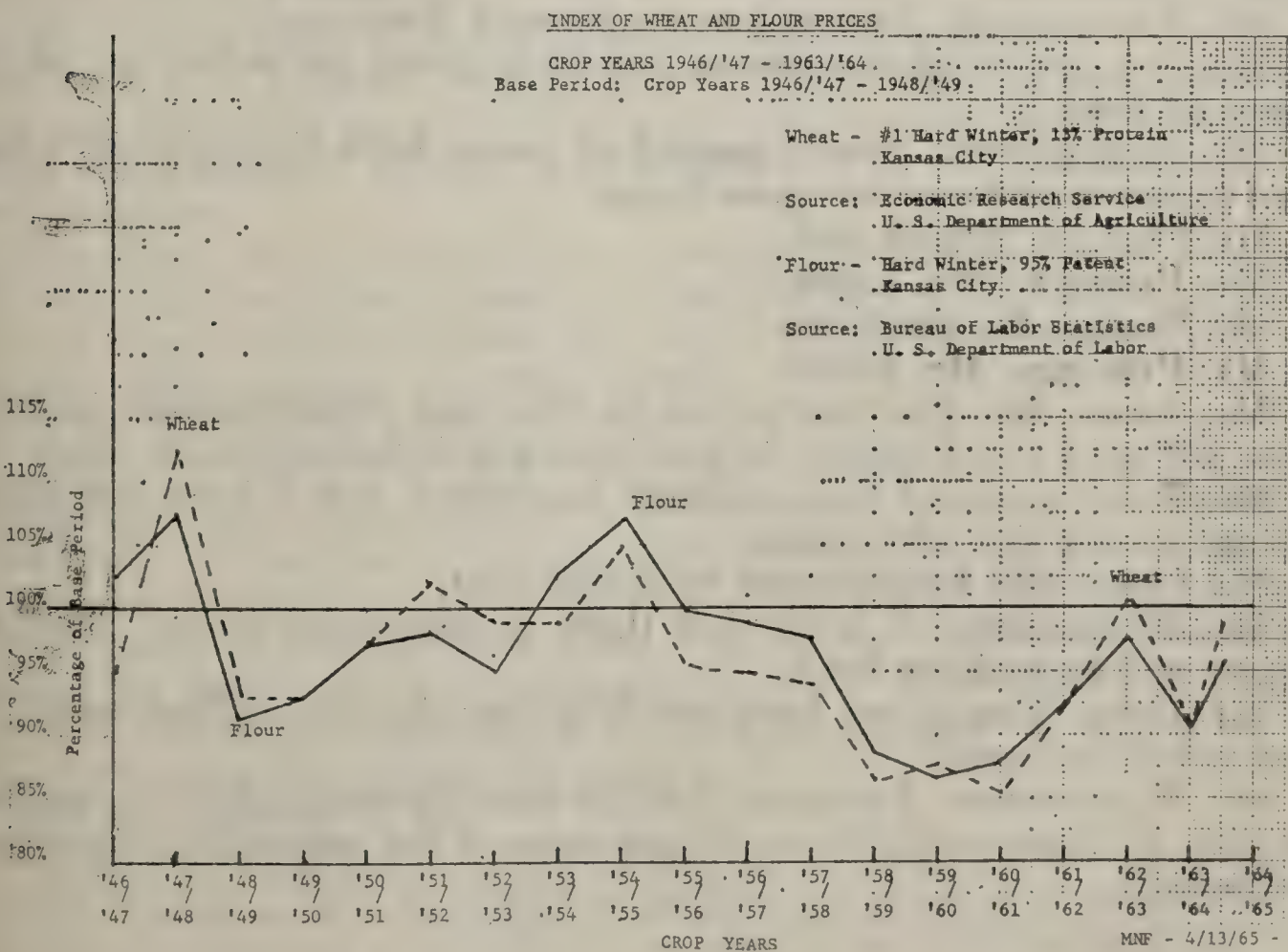
Mr. FARRINGTON. We are grateful to our friends in the corn-milling industry for confirming the fact that there is competition between corn and wheat products for both industrial and food uses. We also appreciate their raising the question of normal or natural price relationships among the grain crops—a subject we hope this subcommittee will examine thoroughly. I am sure that the answer will not be found in domestic price relationships in the last 10 years. It is quite evident from the record already made that the cornmilling industry, for a number of years, has enjoyed a Government-generated competitive advantage based on abnormal price relationships between wheat and corn. They are protesting a revision of the definition of “food products” designed to equalize competition in industrial uses of wheat and other grains and lessen some administrative and operating problems including the denaturing of wheat products for industrial use. They have even protested equalizing competition for relief purchases and this is in spite of the fact that this legislation, if enacted, would give them a substantial additional advantage in supplying domestic commercial food markets. They have made unsupported statements about the costs of producing corn and wheat. They have tried to make you believe that if wheat becomes available at a price that is comparable to the price of corn, the flour mills will immediately begin producing a crude wheat starch that will drive them out of business. I do not propose to indulge in forecasting future events or making sweeping denials. Over a period of time research may provide breakthroughs in the direction they indicate. Possibly there are a few uses where flour would be acceptable as a substitute. But, as of today the opportunities appear to be very limited. We do know that under the necessities of war, efforts were made to substitute wheat flour for starch for a number of industrial uses with generally unsatisfactory results—the protein content of the wheat product was too high and caused processing problems.

To the best of my knowledge, flour millers do not know today of any economical dry milling process by which a large percentage of the wheat berry can be converted to a pure starch product or a crude starch product containing 3 percent or less of protein. It should also be noted that the present regulations permit the production of wheat products for industrial use without certificate liability provided the product is denatured and no food product is produced simultaneously. The volume of denatured wheat product being produced under this regulation surely is of no serious concern to the corn processing industries.

I wish also to take exception to some of the statements made by Mr. Heimburger and some of the corn millers regarding clears. Clear flour is not a byproduct. It is a joint product with patent flour, semolina and some other types of flour. It is unfortunate that a decision reached in 1930 by the Bureau of Customs which is still being applied permits flour with more than 1 percent ash to be imported outside of quota limits and at an import duty of only 2.5 percent ad valorem. The U.S. Department of Agriculture, for reasons stated to this committee on a number of occasions, does pay export subsidies on all flour exported, including clears. These export subsidies have been made necessary in earlier years by high loan rates on wheat and presently by the certificate tax. These export subsidies are not the cause of high domestic flour prices; they are the result of high domestic wheat costs and flour prices brought about by Government programs.

While the corn millers were seeing ghosts from their comfortable favored position, they even dreamed up a phantom 480 million pounds of surplus flour. This they say would be produced and dumped in their markets in order to supply the starch-gluten manufacturers an additional 50 million pounds of clear flour from which they might produce the quantity of gluten now being imported. The answer is simple. Presently the starch-gluten manufacturers absorb about 10 percent of all the clears we produce. If that industry were able to absorb an additional 50 million pounds of clears, their percentage of the total clears produced would perhaps increase to 12 percent of the total. Then a corresponding amount of higher grade flours would be substituted for clears in our sales of flour for food and export. There would be some reshuffling of our sales and use of clears but our total flour production would be increased by only the amount of the additional market created.

(The chart entitled, "Index of Wheat and Flour Prices" follows:)



Mr. PURCELL. Thank you. Do you have any questions, Mr. Foley?

Mr. FOLEY. No.

Mr. PURCELL. Mr. Bandstra?

Mr. BANDSTRA. No.

Mr. PURCELL. Mr. Callan.

Mr. CALLAN. I was interested in the statement that you made that you could not pass on this tax to the baker.

Mr. FARRINGTON. Unfortunately, that is right. The flour price has not gone up sufficiently to reflect the increase in cost.

Mr. CALLAN. The price did go up; did it not?

Mr. FARRINGTON. Yes. But not as much as costs increased.

Mr. CALLAN. Did not the price of bread go up about a penny with this certificate?

Mr. FARRINGTON. It may have in a few places. I do not know how many.

Mr. CALLAN. What you are saying is that the price that the miller has to pay for the flour makes the bread go up?

Mr. FARRINGTON. The price of flour went up. If you will look at the chart you will see that it did go up, but not as much as the cost went up.

Mr. CALLAN. Not as much as the cost did?

Mr. FARRINGTON. Yes, sir.

Mr. CALLAN. If the \$1.25 certificates went into effect, you would pass off the difference to the miller, the baker.

Mr. FARRINGTON. We would do the best that we could. Competition is awful tough in our industry.

Mr. CALLAN. You do not say that the farmer is getting too much for his wheat; do you?

Mr. FARRINGTON. I am not commenting on the farmer's return.

Mr. CALLAN. You know that the price index on food has practically gone off the chart. And the price of wheat is going down.

Mr. FARRINGTON. And so has the price of flour——

Mr. CALLAN. And the reason that it is going up is because of the price of flour.

Mr. FARRINGTON. Over a period of years, both the price of wheat and the price of flour have gone down.

Mr. CALLAN. Thank you.

Mr. PURCELL. Mr. Latta?

Mr. LATTA. No questions.

Mr. PURCELL. Mr. Dole?

Mr. DOLE. Mr. Farrington, as to this new breakthrough in flour that we have heard about, do you have any information on this?

Mr. FARRINGTON. I am intensely interested, but I have not heard about it until this afternoon.

Mr. DOLE. Mr. Heimburger went into that.

Mr. FARRINGTON. I hope that there is something there. We certainly will be looking for it.

Mr. DOLE. You do not have any fear that the corn millers would be put out of business?

Mr. FARRINGTON. I suspect that the same process might be applied to corn and they probably would get some of the same advantages that we would.

Mr. DOLE. You mentioned briefly in your statement about the 418 million pounds of surplus flour. Three or four witnesses have commented on this. Do you have any additional information on this? You made a brief statement or comment on this, on pages 2 and 3 of your statement and your answer is that it simply would not be possible.

Mr. FARRINGTON. That was just fallacious reasoning all the way through. They were assuming that in order to supply this additional demand we would have to produce so much more clear and that you cannot produce clear without producing about 10 times as much other flour. It just does not work that way. We would reshuffle our production and sales and prices and we would only produce the additional flour that we had an additional market for. We would not produce the 480 million pounds. That is just a phantom—it just does not happen that way.

Mr. DOLE. Well, I understand you are opposed to the processing tax on wheat, but in the event it should be adopted—the language proposed by the Department—you would support that?

Mr. FARRINGTON. Yes, sir; we support the proposal as submitted by the Secretary, and we concur in the statement that Mr. Underhill presented in support of that.

Mr. DOLE. I think that you have been present during all of the testimony and realize the committee is in the position of factfinders. We do not want to penalize any industry, nor continue to grant any industry any favored position. Do you feel that by adopting this language that we will be giving the flour industry an advantage over the corn miller?

Mr. FARRINGTON. No; by adopting this language you will be giving us an equal position on a very small part of our total output and the rest of it will be terribly out of line costwise.

Mr. DOLE. Do you look for any great expansion that might damage the corn milling industry?

Mr. FARRINGTON. I do not know of any such—any reason to expect that; no, sir. If so, it is just a matter that is the way the economics are and that is the way it should be, and that is the way it would have been right along if you had had comparable prices and normal price relationships.

Mr. DOLE. As I conclude from your statement, then that if the flour millers pay the full certificate price on everything they are at an additional disadvantage, because the corn millers can buy at the world price. This morning we asked whether if we could equalize the value that the corn miller would pay, the loan price, and also the incentive payment, but we got off into some other colloquy. Again I am impressed by the statement made by Mr. Underhill on page 5 of his statement which I assume to be a correct statement. He points out the difference is that the corn miller buys at the world price but the flour miller pays the world price plus a \$1.25 certificate per bushel for wheat for flour used in the domestic market. The suggested amendment would be an equalizer, so far as nonfood uses are concerned.

Do you subscribe to that statement?

Mr. FARRINGTON. I do.

Mr. DOLE. That is all. Thank you.

Mr. PURCELL. Mr. Farrington, on the last page of your originally prepared statement you refer to the certificate program as a revenue

measure. Will you describe to me how these certificates are revenue raisers?

Mr. FARRINGTON. We file a return every 30 days and attach a check, just the same as paying income taxes or any other tax.

Mr. PURCELL. Well, is it your understanding that this is money that accrues to the U.S. Government?

Mr. FARRINGTON. It goes to the U.S. Government or an agency of the Government, the Commodity Credit Corporation, which is a wholly owned subsidiary and is used in offsetting the payments that have been made previously to the wheat producers.

Mr. PURCELL. So other than your contention that the existing plan is a tax on food, do you see anything fair about saying that it is a revenue-raising method on the part of the Government when you say that it is passed on to the producer?

Mr. FARRINGTON. I do not see anything different between this revenue and any other revenue. There are payments being made.

Mr. PURCELL. The U.S. Government keeps taxes, and serves as an agent to have this collected. Is that what you are saying?

Mr. FARRINGTON. I think it is just a difference in terminology. The effect is the same. You are paying out money to the corn growers, the same as you are to the wheat growers. They both get payments.

Mr. PURCELL. You think that, when you say "we," you are talking about the Government?

Mr. FARRINGTON. The Government; yes. The Government is making payments to the wheat growers; yes, sir.

Mr. PURCELL. To the wheat growers?

Mr. FARRINGTON. Yes.

Mr. PURCELL. Where do you think they get this money that goes out to the wheat growers?

Mr. FARRINGTON. A large part of it is from this processing tax.

Mr. PURCELL. The domestic-used wheat grower is getting all of it, so that if \$1.25 certificate goes into effect, does not the wheat producer get \$2.50, approximately, for his portion of the domestically used wheat? Will he not? This is about parity. Do you see anything unfair about the farmer getting parity for his product, the American farmer?

Mr. FARRINGTON. That was not the point that I was testifying on. We are not testifying on rates of payments to farmers. We do, however, regard the parity formula as an inappropriate basis for the assessment of taxes on millers.

Mr. PURCELL. I know that it was not, but that is the point we are getting to.

Mr. FARRINGTON. Whatever the payment.

Mr. PURCELL. If you want to talk about just what you want to talk about, we will not know about these others.

Mr. FARRINGTON. Whatever the Congress authorizes I think should be paid out of the general revenues of the United States.

Mr. PURCELL. You do not think that the consuming public ought to pay for the food that they eat, to pay that to the farmer?

Mr. FARRINGTON. Surely, they have to pay for the food that they eat.

Mr. PURCELL. You, as a consumer, pay the full cost for all of the things that you buy—do you not, for all of the products you buy?

Mr. FARRINGTON. I pay for the consumer products I buy and I hope that most of the processors that have been involved have been able to make a small profit, yes, and the producers, also.

Mr. PURCELL. Sir?

Mr. FARRINGTON. And the producers, also.

Mr. PURCELL. What were you paying for wheat that you milled in 1947-48-49; in that period?

Mr. FARRINGTON. I do not remember.

Mr. PURCELL. That was the high period of cost for wheat, was it not?

Mr. FARRINGTON. 1947 was a very high-priced year, as I recall. There was a break in the price in 1948, I believe. I have the figures here if I may have time to look for them. I am sorry, I do not seem to have any price records that go back that far.

Mr. PURCELL. We can agree that the price of wheat went up to about \$2 in 1947, can we not?

Mr. FARRINGTON. I think that is correct; yes, sir.

Mr. PURCELL. Do you have what it is now in relation to what you paid at that time?

Mr. FARRINGTON. There is a chart attached which shows this. This is converted to an index based on the 1947-49 period. I do not remember the exact base figures, but it would have been in the neighborhood of \$5.50 to \$6, on a hundredweight of flour.

Mr. PURCELL. How many bushels of wheat are you talking about?

Mr. FARRINGTON. The official conversion factor is 2.28 or 2.283 bushels per hundredweight of flour.

Mr. PURCELL. According to the figures that this committee accepted from the Department of Agriculture as accurate, the 1947-49 average, the value of wheat in those was 2.7 cents in the loaf of bread at that time, and in 1964 the value of the wheat in a 1-pound loaf of bread was 2.5 cents, but in the meantime the retail cost of bread had gone up, 1947-49 average to 12.7 cents for a loaf of 1-pound bread and up to 20.7 cents. Of course, my point is that some way, somehow it seems to me that the producer in all of this vast agricultural industry should be allowed to get something like a pro rata part for his investment, his labor, his general subsistence in producing his product relating to what you are producing, and what the automobile producer is receiving or the people who make all of these things are receiving, or anybody else is receiving.

Now, during that same period of time a package of cornflakes, 12 ounces, 1947-49, had 3.2 cents worth of corn in it, and in 1964 the same package had 2.5 cents worth of corn in it, but in the meantime what they got for it increased from 16.9 to 28.6 cents.

Can you explain where this increase is going, when according to your testimony, as I take it, you still want the farmer to get \$1.25 even for the wheat that you are going to make into flour or even lower than that if you can get it, I guess, and then you get 28.6 cents for cornflakes or 20.7 cents for bread?

Mr. FARRINGTON. I did not make any recommendation as to the level of either corn prices or wheat prices. I do think that there should be a normal and reasonable relationship between the two.

Now, coming more specifically to the point that you were making, Mr. Chairman, I have studied some of those figures rather extensively. I am sure that there are some serious errors in the figures, particularly

as they relate to the flour industry, but obviously the big increases in costs are those beyond flour. They are in the baking and the distributing and the packaging and all of the other areas on beyond the flour.

Mr. PURCELL. In that period of 1947-49 your cost of producing flour has gone up; has it not?

Mr. FARRINGTON. Yes, but we are getting less now than we did in 1947-49.

Mr. PURCELL. You are in the same boat as the farmer is?

Mr. FARRINGTON. Yes, sir.

Mr. PURCELL. I surely do appreciate that you stick up for the baker.

Mr. FARRINGTON. I am not sticking up for either side. My purpose is to represent the interests of the flour millers.

Mr. PURCELL. That is, then, for the farmer. Last year the baking industry testified that it would take an increase, it seems to me like 62 cents a bushel before they would be justified in raising the price of bread 1 penny. I want to see where it is that this certificate plan is damaging you, because in 1963 you are paying about \$2 a bushel for wheat, were you not, the cost of freight and so forth?

Mr. FARRINGTON. The average farm price of wheat in 1962-63 was right at \$2; yes, sir. In 1963-64 it was \$1.85.

Mr. PURCELL. What has been the average price for 1964?

Mr. FARRINGTON. The average price in 1964-65, the Government has estimated that \$1.38 plus the 70 cents which would make it \$2.08.

Mr. PURCELL. But you have not been able to pass that additional cost on to the bakery; is that right?

Mr. FARRINGTON. Not all of it; no, sir.

Mr. FOLEY. Will you yield?

Mr. PURCELL. Yes.

Mr. FOLEY. Mr. Farrington, on the same subject, that is the passing on of the wheat certificate cost to the ultimate consumer of the product. Have you seen anything in the decisions of the Department or any other official organization of the Government, any indication that the intention was anything but to assume that it would be passed on? Was that not the assumption, that you could tell from all of those involved in this?

Mr. FARRINGTON. I believe so.

Mr. FOLEY. You represent the Millers National Federation. The millers of the United States have a number of associations; do they not?

Mr. FARRINGTON. There is a Soft Wheat Millers Association and they will appear immediately after me.

Mr. FOLEY. Do you know if there is any concern, any distress about associations making an agreement to raise the price of flour sufficient to cover the cost of the certificate program?

Mr. FARRINGTON. I certainly do not know of any agreement. I know that the competition is very rough. And because of competition we have not been able to get a price for flour sufficiently above that of a year ago to replace the higher costs that we are experiencing.

Mr. FOLEY. Insofar as any miller is concerned, is not the increase in the price of flour reflected by the increase in the cost of the wheat certificate, and is he not absorbing it?

Mr. FARRINGTON. He is absorbing part of it, on some types of flour, at least.

Mr. FOLEY. Is it not the same as setting prices?

Mr. FARRINGTON. I think that it has a different connotation.

Mr. FOLEY. Well, in the absence of a wheat certificate program, what is happening here is that the miller does not pass it on to the consumer; he is just lowering his price.

Mr. FARRINGTON. No; he has not been able to get the price up enough because of competition which has prevented it.

Mr. FOLEY. The same competitive situation occurs by cutting the price; would you not agree to that?

Mr. FARRINGTON. I suppose so. I am not sure.

Mr. FOLEY. That would happen in the absence of any wheat certificate?

Mr. FARRINGTON. It could happen.

Mr. FOLEY. Some portion of the milling industry could decide to cut its price for flour, could it not?

Mr. FARRINGTON. Yes; we have had bad years before—lots of them.

Mr. FOLEY. So that insofar as any miller desires not to pass it on, that is, the full cost of the wheat certificate program, he has an effect on the rest of the milling industry, exactly as if he were cutting prices.

Mr. FARRINGTON. I cannot conceive that any miller deliberately would decide not to pass it along. I think all have tried to, but some other factors have entered into it. Some competitors have a different idea of what they could produce and sell flour for.

Mr. FOLEY. If all of the millers decided to pass it on, would that be the case?

Mr. FARRINGTON. If each miller individually decided to do that, that does not follow.

Mr. FOLEY. I mean all of them operating together passed it on—would it not, in fact, be passed on? There is no possibility of substituting wheat flour, is there, for making bread?

Mr. FARRINGTON. No, there are areas of substitution possible, but it is not large.

Mr. FOLEY. The demand for white and whole wheat bread is going to continue, would you not agree?

Mr. FARRINGTON. Yes.

Mr. FOLEY. I do not quite understand how the Government is blamed for your failure as a milling industry to receive the same revenue from the sale of flour, irrespective of any wheat certificate. The Government is not doing anything, so far as I know, to restrain agreements on the part of all of the producers to pass that cost on. In fact, it is assumed in every discussion I have heard on the wheat certificate program previously and at this time that it will be passed on. The way has been smoothed, so far as the flour millers are concerned, so far as the bakers are concerned to pass it on to the consumer. In fact, that is the very thing I find hard to imagine—how the millers can complain that they or any part of their industry, if it decides to cut prices by not passing it on, and blame the Government for that.

Mr. FARRINGTON. I did not mean that I am blaming the Government specifically for this. You do meet more buyer resistance at \$6 than you do at \$5, and at \$5 than you do at \$4, but basically it is a matter of intensive competition in our industry.

Mr. FOLEY. I know that the industry has effective communications among those who are interested in the industry. We have antitrust laws that prevent industry price fixing, but I personally would doubt, very much, if any antitrust objection would be raised to the millers of the United States in their organizations agreeing to pass this on and for that purpose doing that. My only point is that as long as there is competition in the industry, price cutting is possible. I see in your statement today only evidence some millers have taken advantage of the Government's programs in order to cut prices. They can do that in the absence of the program.

Mr. CALLAN. Do you see any difference between an excise tax on a tire collected by the manufacturer and a so-called excise tax on wheat?

Mr. FARRINGTON. Basically, they are the same thing.

Mr. CALLAN. Basically the same thing?

Mr. FARRINGTON. Yes.

Mr. CALLAN. Thank you.

Mr. DOLE. What has been the reaction of the millers over the country to the wheat certificate plan in the past year?

Mr. FARRINGTON. Well, this is the position of the industry that I have expressed here. They are opposed to the certificate processing tax. The administration of the program has gone very well. We have worked closely with the Department. We are filing our returns every 30 days. And it is running administratively rather smoothly.

Mr. DOLE. With reference to the federation's position—I have talked to some millers in my territory who were very apprehensive a year ago, but are not now. The association is still opposed—firmly opposed as far as you know?

Mr. FARRINGTON. I think that this statement, which I have made, represents the position of practically 100 percent of the industry.

Mr. DOLE. I doubt that it would happen, but has any miller gone out of business just because of the wheat certificate plan, because of a financial burden?

Mr. FARRINGTON. There have been mills closed down but that has been happening over the years. Mills have been closing down with considerable frequency over a long time. I could not point to this one factor alone. There is always a combination of factors when a mill closes down.

Mr. PURCELL. If there are no further questions, we thank you very much.

We will next call Mr. Donald M. Mennel.

But before he testifies, I want to insert into the record two telegrams which have been received.

One is from Mr. Sewall D. Andrews, vice president of General Mills, Inc., and the other is from Mr. Awrey, Awrey Bakeries, Inc., of Detroit, Mich.

(The telegrams follow:)

FORT LAUDERDALE, FLA., April 27, 1965.

HON. GRAHAM PURCELL,
Chairman, Wheat Subcommittee, Agriculture Committee,
House Office Building, Washington, D.C.:

Unable to attend wheat certificate hearing this Thursday, April 29, because of such short notice and prior commitment. I wish to go on record in opposition to this increased cost of wheat certificates because it will impose a higher flour

cost to bakers—and this increased flour cost means higher prices to consumers for bakery products and this places bakery products in a disadvantageous position in competition with other foods. I ask that you place this telegram in the hearing records.

AWREY BAKERIES, INC., DETROIT, MICH.
T. L. AWREY, *Board Chairman.*

GENERAL MILLS, INC.,
Minneapolis, Minn., April 26, 1965.

HON. GRAHAM PURCELL,
*House Committee on Agriculture,
Washington, D.C.*

DEAR SIR: Please accept this confirmation of our positive position in support of the provisions of section 104, H.R. 7097 as it pertains to certificate exemption for nonfood products. This position will be explained by Hercules Powder Co. in your hearing of April 28. Please also note our support for additional exemption for wheat products which undergo substantial further processing after milling to new products having both food and nonfood uses.

SEWALL D. ANDREWS, *Vice President.*

Mr. PURCELL. We will now hear from you, Mr. Mennel.

STATEMENT OF DONALD M. MENNEL, PRESIDENT, MENNEL MILLING CO., FOSTORIA, OHIO, CHAIRMAN OF THE GRAIN & LEGISLATIVE COMMITTEE OF THE NATIONAL SOFT WHEAT MILLERS' ASSOCIATION

Mr. MENNEL. Mr. Chairman and gentlemen, my name is Donald M. Mennel. I am the president of the Mennel Milling Co. of Fostoria, Ohio, and I am here today as chairman of the Grain & Legislative Committee of the National Soft Wheat Millers' Association. This association has member companies representing approximately 80 percent of the total commercial Soft wheat milling production of the United States.

I want to thank you again for the opportunity to appear before you. Our association has appeared in the past and we hope, whenever there is a matter affecting Soft wheat, we will be invited back again. We do appreciate it.

When representatives of the wheat producers, the wheat processors and the wheat end-product manufacturers met here last week at the invitation of the Department of Agriculture, none of the wheat producer groups was from east of the Mississippi River. We were the only voice there interested in the welfare of over 50 percent of the wheat farmers in the United States.

We do not presume to speak directly for these farmers, but we are vitally interested in their welfare and hope to keep them in their historic business of raising wheat of the type which is vitally needed to make many varied products desired by the American consumer.

We have studied both H.R. 7097 and the President's communication about it. His five basic objectives for programs in agriculture meet with our complete approval. We do have some concern about the means of implementing these objectives.

We concur in the belief that the farmer has not enjoyed the same degree of prosperity as the industrial worker. We have seen statements based upon USDA statistics that in only 3 years since 1924 has the farmer received parity for wheat. We agree that this is bad.

We believe, not only past programs, but also the present program and the proposed program, have created inequalities which violate the objectives of the President. It is our hope to pinpoint some of these inequalities and, by correction of the new program, make a start toward their correction.

One of these seems to us to be that the wheat support program as it has developed over the years supports the price for the worst of the Hard Winter wheats and the best of the Soft Winter wheats. This is improper and needs a great deal of study to correct.

We agree with the proposal to grant a "projected farm yield" to a farmer. This should be more equitable in the eastern area, where 45 bushels of wheat to the acre are not uncommon on an efficient family farm. It will reward the good farmer, rather than emphasizing mediocrity as the former yield basis did.

We believe when acreage allotments are made, consideration should be given to other than historical planting data. This simply perpetuates historic mistakes. We recognize that the former procedures requiring 10-year averages for this purpose are being eliminated, but we believe the Secretary should also be instructed by Congress to include at least one other factor. The amount of wheat taken over in any State by the Commodity Credit Corporation is the most pertinent element in maintaining a workable balance between supply and demand at lower costs to the Government—the second of the President's objectives. We believe the Secretary must have specific instructions and broad powers to realine wheat allotments among the various States so as to minimize CCC stocks and insure adequate supplies of the various kinds of wheat the American consumer demands at reasonable and stable prices.

All past and present programs seem to have the effect of gradually wiping out the smaller eastern farmer by erosion of his right to plant wheat in his rotation programs. For example, last year's wheat allotments to Ohio farmers were reduced, while allotments to Kansas farmers were increased; yet CCC owns practically no Ohio Soft Red Winter wheat, but does own vast quantities of Kansas Hard Winter wheats. Our proposal would help correct this inequity.

We believe inequity can also occur in connection with the "poor variety discount." With the change to a world wheat price support level this discount factor on the basic support price no longer has any real meaning. A farmer may raise "poor variety" wheat because it will bring forth more bushels per acre. He is now able to sell that wheat at feed grain prices on the open market, which is closely aligned to the support price and so he may not be interested in raising quality wheat. We believe this discount should be applied to the wheat certificate payment that such a farmer receives. This would be a definite stimulant to quality rather than quantity production.

We agree with the President's proposal to eliminate the payment of a certificate for export wheat. It has never made much sense to put money in one pocket and take it out of the other. We wonder, however, why the same change should not be made for wheat products. All of the arguments which apply to wheat apply with equal force to wheat products, and we believe no payment should be made for certificates for flour which is exported, either under dollar or trade and aid programs.

This crop year, Soft wheat millers will grind approximately 120 million bushels for food use, on which they will pay \$84 million, but Soft wheat farmers will receive domestic certificates this year for this wheat equal to only about \$23 million. This is a difference of over \$60 million. We believe future accounting will prove these data, and we do not think this is right.

USDA data prove conclusively that supply and utilization of the various kinds of wheat are not at all uniform, yet the certificate payment received by farmers is uniform regardless of whether that farmer raises his wheat for a domestic market or for a Government-financed program. This is not right either.

We believe the new program should provide that a farmer who turns his wheat over to the CCC in the spring in default of his loan should not receive the same amount of domestic certificate value per bushel that a farmer receives who sells his wheat on the open market. Ideally, a farmer whose wheat enters domestic consumption channels should receive certificates, while the farmer whose wheat is not raised for a domestic demand should not.

The President said in his message that "a 50-cent increase in the price of a bushel of wheat will increase the cost of a loaf of bread by little more than 1 cent." This, however, is not the total problem. Let me illustrate.

Ninety percent of the U.S. population use flour as flour, but only 20 percent of the families consume more than 65 percent of all the flour used. Rural and other low-income families such as live in Appalachia and other similar depressed situations consume many times the national average amount of flour. By far the most popular size and type used by this group is the 25-pound bag of enriched family flour. I have a bag of enriched family flour here. And I will speak of that later. Here again about 20 percent of the families consume over 60 percent of the total volume. To these low-income families, flour is a major part of the diet. They consume over 500 pounds annually.

The national average price at the present time for such a bag of flour is \$2.23. Thus, a 50-cent increase in the price of a bushel of wheat will increase the cost of a 25-pound bag by at least 28½ cents at the mill door.

I should add, if we millers can get the prices up. And this will very likely mean an increase to the housewife of 35 cents per 25-pound bag. The low-income family food budget will be increased by over \$7 per year for flour alone, not considering the additional costs created by bread and other flour-based products. This amounts to about a 15-percent increase in the cost of a major item in the diet of those who can afford it least. We question that this is fair or that it is the intent of the administration.

In addition to family flour, Soft wheat is used for many other products, a few of which we have brought with us today to show you. They are here in front of you. We went to a local supermarket, a relatively small one, day before yesterday afternoon and purchased these. These are not all of the products in that supermarket that contain Soft wheat flour by any means. They are, however, representative. We are also very glad that we did not buy any of the frozen products since we have been delayed somewhat in the hearings

and they might be pretty gooey by this time but they represent a large portion of the flour products in the supermarket. And I might also add that the experts in the field tell me that this particular type of product is the fastest growing sales item in the supermarkets today.

We do not pretend to know or even suggest what price changes will be necessary in these and other products as a result of this proposed program, but we do know that every one of these products contains Soft wheat or Soft wheat flour and, therefore, every one of them will have an increased ingredient cost.

Thus, the ingredient cost in as many as 1,000 of the more than 6,000 items on the shelves of an average supermarket will be increased by this program. It is safe to assume, since wholesale and retail mark-ups are usually based upon percentages of cost, these increased ingredient costs will be pyramided by the time they reach the consumer.

The consumption of wheaten products is declining. I know of no economic or marketing principles that support the theory that the way to reverse a declining trend in consumption is to raise the consumer price. It seems to us that the proposed program is self-defeating for this reason.

The present law is very confusing concerning who shall pay how much for wheat certificates. We believe the Department of Agriculture has tried very diligently to follow the intent of Congress in administering this law. The proposed bill clarifies the confusion a little. We believe it should be made crystal clear to avoid inequities or unintentional violations.

We, as Soft wheat millers, must reiterate, as we have done at each previous appearance, that "wheat is not wheat," but many kinds of wheat. Certainly wheat is not bread alone, as evidenced by all of these products. There is a very broad market for Soft wheat, and Soft wheat is not in surplus.

In summary, then, we do not like many of the ramifications of the proposed program, but if it passes, we believe there are at least four things in the original proposal which require amendment in order to reduce inequities and discrimination.

First, there should be equity in the payment of certificates to farmers according to the utilization of the wheat they raise.

Second, the allocation of wheat allotments by States should be made to minimize CCC takeover, and insure adequate supply by kind.

Third, the definitions should be made crystal clear as to how much is to be paid by processors and upon what.

Fourth, and possibly the most overriding of all, is the issue of materially affecting the food budget of the lowest income consumer, and, in fact, of almost every American family which this bill will force.

Therefore, as you consider this bill, do not approve it on the assumption that it will cause little more than an innocuous, insignificant increase in the cost of a single food item. Rather, it dictates a highly discriminatory increase in the food costs of those families who can least afford it.

Mr. PURCELL. Are there any questions, Mr. Dole?

Mr. DOLE. On page 3 I am happy to note that you mentioned the State of Kansas. Do you have any figures on the wheat allotment in Kansas?

Mr. MENNEL. I do not have them, sir. This came up in the committee meeting the day before yesterday, and that was a part of the files that I left at home.

Mr. DOLE. I cannot recall there was an increase in Kansas.

Mr. MENNEL. I had a long letter from Dr. Snitger of the Department of Agriculture when I complained about it.

Mr. DOLE. I understand much Soft wheat has gone out under the Public Law 480 program.

Mr. MENNEL. Yes.

Mr. DOLE. Yes. Perhaps that might account for the small surplus.

Mr. MENNEL. The percent of Soft wheat that moves under Public Law 480 has been small over the years as compared to Hard Winter wheat.

Mr. DOLE. In checking, I find there has been a slight increase of 25,000 acres for Kansas and Ohio had a very minor decrease of 23,000 acres last year.

Mr. MENNEL. A decrease, please. A decrease, please. [Laughter.]

Mr. DOLE. I imagine that will make more Soft wheat available. In the overall picture in Kansas we are down to about 10 million acres, where not many years ago, it was 16 and 18 million and more. We are concerned about it. Many people around the country who grow wheat and again, like the corn and flour mills, it depends on whose ox is being gored. We recognize there is a very serious problem in the wheat industry. Certainly I do not take exception to the statement, coming from Ohio, you should make this statement. I know that Mr. Latta believes every word of it. [Laughter.]

I will yield at this time if you want to answer that, Mr. Latta.

Mr. LATTA. As usual, you have made a very fine statement and I appreciate it.

I would like to have you comment a little bit further on the suggestion that you make on page 3 of your statement to increase and raise the quality of the wheat products. I wonder whether this suggestion might be helpful in raising the quality of American wheat for export use?

Mr. MENNEL. I would certainly hope that we could expand that.

Mr. LATTA. And to expand the export markets.

Mr. MENNEL. To expand them, particularly our dollar export markets. The give-away export markets I am less anxious about, because this tends to hurt me as a taxpayer. The poor variety, I think, the actual technical name for this is "undesirable variety," discount was established a number of years primarily because some varieties of wheat which were raised in the Great Plains are that raised large quantities of wheat which was not an acceptable product. I believe the discount was established at 22 cents a bushel and this has greatly reduced the amount of this kind of wheat and has greatly increased the acceptability of our products both here and abroad. If this program goes through the way it is now and the poor variety discount is applied to the price support this simply means that that poor variety will either end up in the hands of the Commodity Credit Corporation at a discount or will be fed and the chances are that it will be fed and the farmer will not have any inducement at all to do anything except to raise bushels and not raise quality.

Mr. LATTA. By the same token, could we not give some recognition of that on these certificates for the higher quality wheat?

Mr. MENNEL. We would like to have this happen. We as flour millers would be delighted to have that happen. The last time that I testified here we proposed that we should have differentials in the price support, based upon the Commodity Credit Corporation takeovers which would induce the farmers not to turn it over to the Commodity Credit Corporation, but to have payments for them. The assumption that I would make in connection with this would be that if there was a true market for which a premium would be paid that it would not end up in the Commodity Credit Corporation's hands. And this would be good for the taxpayers and for us.

Mr. LATTA. I know that his committee has been concerned about the problem for many years. To my knowledge, his is the first time that we have had such a suggestion made to aid in raising the quality of our wheat. I think it is a good suggestion and deserves the consideration of the committee. We hope to increase our exports of wheat and this could be done with a better quality. We have a good competitor in Canada. Instead of having a discount for poor quality wheat, we should have a premium for better quality of wheat. And we should encourage farmers to produce a better quality of wheat. The way you point it out, regardless of the quality, he gets the same amount for a certificate now.

Mr. DOLE. Will you yield?

Mr. LATTA. Yes.

Mr. DOLE. I might point out for the record that during 1963 and 1964, the allotments in 1964 in the State of Ohio, increased 81,000 acres and that the State of Kansas had a decrease of 836,000 acres. a great decrease in our allotments in Kansas.

Mr. MENNEL. Mr. Dole, this is true. Ohio and Kansas are the two largest States from the standpoint of wheat farmers. Kansas has the largest number of wheat farmers in the United States, and Ohio has the second largest. I am sure that there will always be competition between them.

Mr. DOLE. That may be a healthy thing but I wanted to present the facts that we are losing acreage in Kansas, year after year.

Mr. PURCELL. Mr. Callan.

Mr. CALLAN. I was interested in these cookies that have been mentioned. How much wheat is there in those Oreo cookies?

Mr. MENNEL. I am only a flour miller. I do not know. The major ingredient is wheat.

Mr. CALLAN. Do you think that there would be a penny's worth of wheat in them?

Mr. MENNEL. I have no way of knowing.

Mr. CALLAN. I buy a lot of Oreo cookies and I like them. I wondered if we pass this \$1.25 wheat certificate if those Oreo cookies would go from 39 cents to 40 cents.

Mr. MENNEL. I would suspect that if they go from 39 to 40 cents, or whatever the price is, the percentage increase will be far greater than 1 cent a loaf on bread would be. I also suspect that the price of all of these products here, with the possible exception of the Saltines and the family flour is far less known to the housewife and far less known to the Department of Agriculture, and that price changes can be made

in those far easier than in a loaf of bread so that the price differential may end up by increasing the food budget far greater in these specialty items than in bread.

Mr. CALLAN. How many loaves of bread can you bake out of a 25-pound bag of flour that you are talking about?

Mr. MENNEL. I understand—and again I am not a bread flour miller—I am a Soft flour wheat miller—I understand that a pound of flour makes a pound of bread, roughly.

Mr. CALLAN. You think that it would go \$7 per year higher; that is, the cost as measured in the budget of the family—that it would be increased by that amount?

Mr. MENNEL. This was based upon the 35 cents per 25-pound bag of flour, times 500 pounds annual consumption per family.

Mr. CALLAN. How many pounds?

Mr. MENNEL. We understand from private sources that the largest consuming group of 25-pound bags of flour consume approximately 500 pounds a year.

Mr. CALLAN. 500 loaves per year, roughly?

Mr. MENNEL. If it was all being used for bread. It is being used for biscuits and other things.

Mr. CALLAN. Or its equivalent?

Mr. MENNEL. Yes. I also say that I am not saying that the 1 cent a loaf that the President used is my figure. That is the cent a loaf for the bread figure.

Mr. CALLAN. Thank you.

Mr. PURCELL. Mr. Bandstra.

Mr. BANDSTRA. No questions.

Mr. LATTA. I have one further thing. You mentioned at the bottom of page 3 of your statement:

This crop year Soft wheat millers will grind approximately 120 million bushels for food use on which they will pay \$84 million but Soft wheat farmers will receive domestic certificates this year for this wheat equal to only about \$23 million. This is a difference of over \$60 million.

They will receive this, I presume, for the certificates?

Mr. MENNEL. Yes, sir.

Mr. LATTA. Do you have any figures for the Ohio farmers?

Mr. MENNEL. I would like to seek help from Mr. Rondal M. Huffman.

Mr. LATTA. That is with reference to the portion of the \$23 million to be received this year for domestic certificates by Soft wheat farmers in Ohio. You can put that in the record.

Mr. MENNEL. Yes; I do have those figures for Ohio.

Mr. HUFFMAN. About \$10 million of the \$23 million would be in Ohio.

Mr. LATTA. And I presume that this difference between \$23 million and some \$61 million goes to the U.S. Treasury instead of the farmer; is that true?

Mr. MENNEL. It went to the Commodity Credit Corporation, if there is a difference.

Mr. LATTA. Thank you.

Mr. PURCELL. And you know that it went from the Commodity Credit Corporation to somewhere where they raise wheat, do you not?

Mr. MENNEL. Not really necessarily so, because one of the reasons for this is that Ohio farmers did not all sign up for this program. I do not know whether the Commodity Credit Corporation is going to end up by disbursing that number of dollars that they expected to disburse in total when they established the domestic consumption. I would assume that most of it will, yes.

Mr. PURCELL. Are you saying that the reason is because they stayed out of the program?

Mr. MENNEL. Partially. The other part are the figures that Mr. Farrington used, which I have not calculated, showing that 60-some-odd percent of Soft wheat growers domestically whereas only 45 percent of the certificates were used domestically.

Mr. PURCELL. What do you pay for this Soft Winter wheat?

Mr. MENNEL. Our current market price is \$1.45, approximately, to which we add 70 cents.

Mr. PURCELL. Is that about what Hard Red Winter wheat in the area is where they have it?

Mr. MENNEL. I would believe so.

Mr. PURCELL. I realize that you have been asked the question every time you have been here. If you need quality why do you not pay more for it? You would want the certificate to be higher for it, would you not?

Mr. MENNEL. As long as the price support structure controls the largest market, the Commodity Credit Corporation, it is very difficult for that price to rise very much above the Commodity Credit Corporation price. We have paid more than a loan all through this year, however, for wheat in Ohio.

Mr. PURCELL. But it is still bringing about the same price that it has been in other areas of the country?

Mr. MENNEL. Yes.

Mr. PURCELL. That is all.

Mr. LATTA. Let me ask this question: There was a question raised by Congressman Dole about the demand for soft red winter wheat. Is it not a fact that your milling company has more or less gone begging for soft red winter wheat the last couple of years?

Mr. MENNEL. Last year there was a very, very small carryover of soft red winter wheat. In fact, I suspect as it were, probably will be a negative carryover with wheat coming up from the southern producing States to keep the American consumer supplied. Our company anticipated such a thing and purchased our supplies early. We did not run out, but there were mills in Ohio and in Indiana and Illinois that shut down because they did run out of soft wheat last year.

Mr. PURCELL. Thank you very much.

Our next witness is Mr. Joseph Creed of the American Bakers Association.

**STATEMENT OF JOSEPH M. CREED, GENERAL COUNSEL FOR THE
AMERICAN BAKERS ASSOCIATION AND THE BISCUIT & CRACKER
MANUFACTURERS' ASSOCIATION, WASHINGTON, D.C.**

Mr. CREED. Mr. Chairman and members of the subcommittee, my name is Joseph M. Creed. I am general counsel for the American

Bakers Association and the Biscuit & Cracker Manufacturers' Association, on whose behalf I appear today.

The manufacturers of perishable and semiperishable bakery products are the largest domestic users of wheat flour in the United States. They consume annually approximately 400 million bushels of wheat as flour, which is roughly two-thirds of the almost 600 million bushels of wheat used for domestic purposes. Consequently, they are exceedingly concerned over the effects of any legislation designed to increase wheat and wheat flour prices, and ultimately the prices of their products to consumers.

I intend to direct my testimony to title I of H.R. 7097, which has as its primary objective the establishment by congressional direction of a support price for wheat of up to 100 percent, and not less than 65 percent of parity. This objective would be accomplished through a combination of loan level of 50 percent of parity, plus the use of a certificate for all wheat used for domestic human food consumption. The value of each certificate would be the equivalent of 50 percent of parity.

Inasmuch as the Secretary of Agriculture has already indicated that it is his intention to establish a total support price for wheat of 100 percent of parity, or approximately \$2.53 per bushel through the combined use of the loan level and the certificate, we can assume that the value of the certificates will equal or exceed \$1.25 per bushel of wheat. This will be available to the wheat farmer whether or not he harvests his wheat. The new support level compares with one of \$2 per bushel in the 1964 and 1965 crop years, and \$1.82 in 1963.

The funds to finance these certificates will be initially obtained from wheat processors, such as flour millers, who will include the cost of the certificates in the flour prices they charge manufacturers of end food products, specifically bakers.

It is also our understanding that although the bill would authorize certificates for wheat export, it is the expressed intention of the Department not to use such discretionary authority except in limited and special situations. Only domestically consumed wheat would bear the burden of financing the program.

There are, of course, many other important features of title I of this bill, but we intend to confine our testimony to the effect of the higher value certificates on our operations.

The Department of Agriculture a year ago in espousing the certificate program for wheat, which Congress subsequently enacted, maintained that the program would raise wheat prices for farmers, but should result in no higher flour costs to bakers; therefore, there would be no price increases in bread necessary as a result of the program. It is a matter of record, however, that flour prices in the 1964 crop year averaged some 33 cents per hundredweight higher than flour in 1963. Apparently, enough Members of Congress accepted these assertions as correct, since sufficient support was developed to pass the bill. There may also have been other reasons which spurred some Congressmen to vote for this bill, despite their misgivings about it. In any event, it is now the law. The breach was made in getting the certificate program on the statute books. The mechanism was created—now comes the drive to get more while the getting's good, as the saying goes.

This year, in urging enactment of H.R. 7097, the Department has reversed its field and acknowledged that an increase from \$2 to \$2.50 or more a bushel in the support level cannot help but put upward pressure on flour prices and bread prices. It has been suggested by various administration spokesmen, including the chairman of this subcommittee, that wheatgrowers have been subsidizing breadeaters for 20 years, and that now it is time for consumers of bread to reverse the process (Congressional Record, p. 4988, Mar. 16, 1965). Apparently forgotten are the tremendous costs of subsidies to the taxpayer in the wheat program during this 20-year period, wherein the consumer, as taxpayer, undertook to pay out billions of dollars in price supports for wheat.

Now, we are presented with an inverted concept of who has been subsidizing whom, and the taxpayer, in his role of bread consumer, is told he must pay even more to support the wheat farmer and he should consider it a privilege to be able to do so. This, he is told, will mean lower Government costs, because only consumers of wheat products, such as bread and cereals, will have to pay the cost of the program.

These, gentlemen, are semantics which the consumer—must less the baking industry—finds it very difficult to follow. The plain fact of the matter is that should this high-priced program be enacted, the Congress will be telling the consumer of bread that he is to be saddled with arbitrary price increases to provide a Government-determined level of income for a small group of the citizenry—the wheatgrowers. We believe that if it is to be the declared public policy of Congress that wheat farmers should receive a higher price for each bushel of wheat than the marketplace provides, it would be far more forthright and honest to provide such a return out of the general funds of the Government instead of using the local baker as the tax collector. To tell the consumer that the cost of Government is thereby reduced because the financing of the program is taken from another pocket of the consumer is, in our opinion, a sham.

Only yesterday in testimony before the Senate Commerce Committee, Mrs. Esther Peterson, the President's Special Assistant for Consumer Affairs, stated that there are some 35 million poor people in these United States. If that be so, how can Congress in good conscience call upon them to pay more for such a basic food as bread to provide a higher level of income to this small group of wheatgrowers, particularly when 75 percent of the payments under the program would go to only 15 percent of the growers?

It is all well and good for the Congress and the Department of Agriculture to say that the consumer should be delighted to have the opportunity to pay higher prices for bread, but it is something else again to get those higher prices on our products which we want the consumer to eat. Ours is a highly competitive industry and competes with many other foods which are available to the consumer. We do not have the power to compel the consumer to buy our products. The demand for them is not so strong that higher prices will not reduce their consumption. We will find it difficult to explain these increases to people with large families who buy bread in great quantities, or to retired persons living on fixed income for whom bread is a basic and essential food.

The baker will be not only the tax collector, but the whipping boy of the consumer. I assure you we have no desire to assume either of these roles which the Congress and the administration seem so intent on forcing upon us.

Let us translate this higher support level into actual figures to illustrate the potential cost to the consumer. The statistics on flour costs in 1963 and 1964, as I have pointed out, clearly indicate that higher wheat prices did, in fact, result in higher flour costs to bakers. Bakers, for the most part, have not increased their product prices, particularly bread prices, commensurate with the additional costs which they have incurred as a result of these higher flour costs. Strong competition has probably been the most effective force in preventing bakers from recouping these additional costs. Now the Congress is to add to that cost burden an additional 50 cents per bushel of wheat, which the Department of Agriculture urges the baker to pass on to the consumer.

The proposed increase in the support level of 50 cents per bushel on the 1966 wheat crop would be on top of the 18-cent increase in the support level of a year ago. In effect, therefore, we are talking about a total of 68 cents per bushel increase in the support price of wheat from what it was in 1963 and 1964.

During this time, as shown by the figures of the USDA in its publication, "Farm Retail Spread for Food Products" of April 1965, the average retail price per pound of white bread for both 1963 and 1964 was 20.7 cents. This, of course, emphasizes that the additional cost of the higher priced flour has been absorbed by the baker.

A 68 cents per bushel increase in wheat is the equivalent of almost \$1.60 per hundredweight of flour. This, in turn, causes slightly over a 1-cent-per-pound direct increase—and I emphasize "direct"—in the ingredient costs in the manufacture of a pound of bread. To this cost there must automatically be added an additional charge for driver-salesmen's commission, and the retailer's markup, which brings the total additional cost to the consumer at the retail level of 2 cents for a 1-pound loaf of bread. With an annual per capita consumption of bread of 90 pounds, it can readily be seen that the total additional cost to the baker and consumer under this program will be a minimum of \$350 million annually. To say, as has been said, "It will mean us paying only \$1.35 per year for a pound of bread" glosses over too easily the total impact of the cost of this program.

Let us describe the program honestly: It will impose a tax—a processing tax, if you will—on bread consumers to finance a declared congressional policy to give wheat farmers a return of \$2.50 per bushel of wheat. The technique merely shifts the burden of paying for this public policy from the Government, where it rightfully belongs, to the consumer of wheat products.

Also, these figures take into account only bread and bread-type products. They do not include the additional cost of flour used in other bakery products, such as cakes, biscuits, and crackers, and pretzels, which could easily bring the total cost to the consumer and the industry to well over \$400 million annually.

Why should the baker be forced into this unwilling, uneconomic, and disastrous role of tax collector on this most basic of all man's foods? Perhaps the committee can supply the answer.

We hope we have made our position clear. We urge this subcommittee and the full committee, as strongly as we can, not to impose this additional price burden on the baking industry and the consumer. We believe, over the long run, it can only result in a further downward trend of consumption of wheat products which our industry is so desperately trying to reverse. It will harm, not help, the wheat economy. The baking industry wants to see a prosperous wheat economy, but does not believe that this approach will secure it. We urge the Congress to reject it.

Mr. PURCELL. Are there any questions?

Mr. Callan?

Mr. CALLAN. The committee put out a report here March 1964, on the retail price for bread, et cetera, and it starts out with the price index for 1947 of 95 and a wheat index of 110. And the graph goes up sharply. The index is 144. Practically every year the price of wheat has gone down. The index now is, that from 110 it went down to as low as about 82, and now it is back up to about 92, so that the spread between the price of wheat and the retail price of bakery products does not seem to have much relationship. As a matter of fact, it goes the other direction. How do you account for that?

Mr. CREED. Well, Mr. Callan, in the manufacture of a loaf of bread there are many, many other things involved besides wheat. Wheat is the basic ingredient—two-thirds of a loaf of bread—which is wheat. It represents probably 3 cents in the total initial cost. From that point on the wheat moves through the grain handling facilities to the mills that process it and all the way down the line through the bakeries. There it is mixed with many other ingredients all of which are a cost factor. There are packaging costs, manufacturing costs, and distribution costs, and they all add up.

There is no one of them that has the complete control over the final cost of a loaf of bread. They all play their role. And that is the answer as to why the wheat down here, which is only one of the ingredients, is so far removed from the final price that the consumer pays when she buys the bread at the store.

Mr. CALLAN. What you are telling us, though, is that if wheat goes up 50 cents a bushel it will mean a marketing increase in the price of the consumer's product, and it really does not follow, does it?

Mr. CREED. On the contrary, Mr. Callan, it does follow. When you go beyond a certain point—and usually that point in terms of a direct increase in the manufacture of a pound of bread is a 60-cent increase in the bushel of wheat—that is, by the time it gets down to the manufacturing process, a direct additional increase in the cost is 1 cent. If it is less than 60 cents it is only a fraction. If it is more it is that much more. And then you start from there. That is the direct cost. And as I pointed out in my statement to this additional cost you add the driver-salesman who sells the product who automatically gets a percentage commission. It will vary in different parts of the country, 10, 12 or 13 percent.

The grocer has a percentage markup which comes on top of that.

So, if you have a 1-cent direct increase in the cost to the manufacturer you can very well figure that by the time that 1 pound of bread gets to the consumer it necessarily will mean a 2-cent increased cost to the consumer.

One other point. In many areas bread is sold not in 1-pound loaves but in pound-and-a-half loaves, and in those areas it would not be inconceivable for the consumer to have to pay 3 cents more should the initial direct ingredient cost be 1 cent. It does not matter whether that direct cost comes from wheat or any other cost in the manufacture of the bread. By the time it gets to the consumer that additional cost is there.

Mr. CALLAN. Do you agree that the farmer's income in this country is too low?

Mr. CREED. In all honesty, Mr. Callan, I cannot say that I am that well acquainted with all farm incomes to say that it is either too low or too high. I hope that they are all doing well. I want to see them all doing well. And our industry wants to see them all doing well, particularly the wheatgrowers.

Mr. CALLAN. Is it not pretty generally conceded that the farm income has not kept up with the level of the rest of the economy?

Mr. CREED. In a few areas it has been extremely difficult for the farm economy, apparently. There are facts that there are fewer farmers today than 10 or 20 years ago which seems to indicate that only the large farm operators can operate successfully; that the small farmer is not able to make a go of it.

Mr. CALLAN. Do you know the comparison of the cost of food in this country as compared to the cost of food in other parts of the world?

Mr. CREED. In terms of the number of working minutes, that the person in this country has to put out to buy any given quantity of food, unquestionably we are far ahead of any foreign country, but I think that has been so for many years, that we have developed an excellent economy. Our whole free enterprise system has managed to bring us to a level that is the envy of countries all over the world.

Mr. CALLAN. Would you not also admit that the farmer has not shared in that?

Mr. CREED. No, I would not admit that, Mr. Callan. I think that the farmer has shared.

Mr. CALLAN. Do you know that the farm income has dropped and it has dropped from about \$19 billion down to about \$11 billion? Would you say that when you have a drop in income from \$19 to \$11 billion that they have shared in this economic prosperity?

Mr. CREED. Well, Mr. Callan, I agree that a drop in there from one level to another is a drop, but at the same time the number of farmers has dropped considerably, too, so that the lower figure is not being divided among the same number of farmers as it was in previous years.

Mr. CALLAN. I think you are a little mistaken. The income per farm now even with less farmers is not that. What the committee is trying to do is to figure out some way for the farmer to get his share of the food dollar. There ought to be some way to do that. The farmer has been subsidizing the rest of the economy. I think we ought to point this out. If the food costs had gone up in relationship to other costs the food dollar for the consumers of the country would mean that they would be paying \$4 billion more for food. What we are trying to do is to figure out some way to get the farmer his share.

You believe then that we should go to a direct payment right out of the Federal Treasury? Do you want us to do this?

Mr. CREED. The point that we want to make, Mr. Callan, is that if the Congress concludes along the lines you have set forth that the farmer is entitled to a greater share of the national income, then it should become a policy financed through the general revenues of the Government and not just placed on the backs of the consumers of bakery products who certainly are not benefiting particularly by this added income going to the wheat farmers. That is our point.

Mr. CALLAN. Would you object then if we changed this program so that the wheat farmers got the same amount of dollars for the wheat that they produce if it was a direct Government payment? Would you object to that kind of a program?

Mr. CREED. Well, that brings us to the second point of our objection. We do not think that it is sound governmental policy to set up a program, whether it be through certificates or otherwise, which arbitrarily forces up the cost of the raw materials, the ingredients which we use, and thereby forces us to charge more to the consumers.

Mr. CALLAN. Let me ask you this, then. Would you approve or object to having Government programs or not?

Mr. CREED. I think that it would be much better for the farm economy all around if the Government took its heavy hands off their operation.

Mr. CALLAN. You do not think that we should have any farm programs at all?

Mr. CREED. I think at this point that the Government is so far into it that it cannot extricate itself very easily. But I think all directions and all efforts of the Government should be toward getting out of the farm economy.

Mr. CALLAN. Thank you.

Mr. PURCELL. I just have one question. The figures for the 1947-49 period have been mentioned. Your end product has gone up considerably, has it not, such as bread, from 12.7 to 20.7?

Mr. CREED. That is correct.

Mr. PURCELL. This has been brought about by higher labor costs and equipment costs and general economic necessity of your paying more for what you had to buy?

Mr. CREED. That is correct.

Mr. PURCELL. Do you honestly and sincerely feel that there is anything more wrong with the farmer getting his pro rata part? That is all we are trying to do. Just like labor, which costs you more and whatever equipment and machinery you buy or use in the baking process costs more money—is there anything unfair about the farmer getting his share as compared with these other necessary increases which you have passed on to the consumer, I take it?

Mr. CREED. Mr. Purcell, I think that the farmer should share in the general prosperity. You used the years 1947-49. That is almost 20 years ago. In that period of time labor which is not under any Government subsidy has managed to increase its real income over the years. Most industries which are not under any Government program have managed to do fairly well over the years, but the farm economy has been helped by the Government and is one area that still seems to be in need of assistance.

It would seem to me not to speak too well for the Government being in the operation of farms. You still want to help. And it is a very laudable objective. Nobody can quarrel with it. But from where we sit we just wonder if the help is really being as helpful as the Congress would like to have it. You have fewer farmers. The figures of the committee that were published in March of this year show that we are down to 6.7 million farms compared with something like 21 or 22 million farms in 1941. So I am wondering what help has been done in all of these years.

Mr. PURCELL. My question was, is there anything unfair about the farmer getting his pro rata part as compared to the laboring man or you or any other man or industry.

Mr. CREED. There is nothing unfair about that on that basis. I mean without the Government injecting itself into the picture.

Mr. PURCELL. I take it that you are opposed to Government programs. There is no use in belaboring this question in the record. If that is your stand, that is your right.

Is there anything else that you want to say in regard to that?

Mr. CREED. No, sir. I think that we have made our case. We will stand on the record that we have made.

Mr. CALLAN. For the record you said that labor is not subsidized by the Government. The fact is that labor unions did not exist in this country at one time, and could not have except for certain circumstances. We are working on the Taft-Hartley Act right now. Labor has been able to organize and to foster under the Government. In effect, they control the wages through collective bargaining.

Mr. CREED. And we sit down across the table with them and we bargain and the Government does not finance us. That is the equality that I have reference to.

Mr. CALLAN. But you will admit that there is this legislation on the books or there are laws which enable the labor unions to organize. And one of the reasons that they raise their standards and raise their wages is because of that.

Mr. CREED. I agree with that.

Mr. CALLAN. Would you also admit that in the area of prices that this is pretty well and administered economy—that it is probably more than it was, and that you can buy steel from the United States Steel Corp. and Bethlehem Steel Corp. or any other steel producer you want—no matter where it is—and there will be freight added to that to the point of delivery, and do you think that the consumer or the farmer can compete under those circumstances in a so-called free economy when you put all of these things against him?

Mr. CREED. Mr. Callan, our people buy equipment and machinery which is made from the same steel that is in the equipment and the instruments that the farmers use. We buy from the same manufacturers and the same steel mills that the farmers buy from and we are not subsidized.

Mr. CALLAN. Do you have competition in the price of bread between your competitors—that is about the same, is it not? Do you not get about the same price for bread in any town that your competitor does?

Mr. CREED. Usually it works out that way.

Mr. CALLAN. Is there any difference?

Mr. DOLE. Will you yield?

Mr. CALLAN. Yes.

Mr. DOLE. It is like a statement I heard the day before yesterday, "Please, Mr. Congressman, do not help me any more—I cannot afford it."

Mr. CALLAN. The thing that I am trying to get at is this. I think it is pretty well proven that the Government has been of help due to the fact that the production plant can produce more than we can consume. What this committee is trying to do is to maintain some kind of an average here. You have about 3 or 4 million producers going their separate ways. And they are an important part of the economy. For this reason many of us who represent the people in this area are interested in the welfare of these people. It is an important part of the overall economy of the country. That is the reason we take the position we do.

Mr. CREED. I cannot find fault with your taking that position, but I think that you must recognize our position, having assumed this very laudable objective that the committee has you then turn to us and say, "You go out now and increase the price of your product for the consumer and get the money and finance this good program that we have developed." That is a very unhappy position for us to be in and it is not at all certain that we can do that. If we cannot recoup our price along the lines that have been indicated to pay for these added costs, what happens to the bakers? Do they fold and go out of business?

Mr. CALLAN. No, sir; I do not think that we are proposing anything new. The business that I am in, in that we sell tires and we have sold automobiles, and there is an excise tax on every product that we sell, and we collect it and the Federal Government gets it. I do not think that we are talking about any thing new to that which is already in the economy of the country right now.

Mr. CREED. But those taxes go for the benefit of the people who pay them. That is, the highway users. Whereas, these taxes that you would collect through the bakers and the consumers do not go to the benefit of the consumers. They go back to finance this program for the wheatgrowers. So there is a distinction and a difference.

Mr. CALLAN. Do you think that is wrong in principle?

Mr. CREED. Yes.

Mr. PURCELL. Thank you very much.

Our next witness is Mr. Ken Kendricks.

STATEMENT OF KEN KENDRICKS, NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. KENDRICKS. Mr. Chairman and members of the subcommittee, I do not have a prepared statement. I would like to speak a few words in defense of the farmers if the committee will indulge me.

I would like to point out, No. 1, that the farm income is about 58, 59 percent of that of the industrial income. It is a little over one-half of the average industrial income.

The U.S. Department of Agriculture has figures indicating that you can make 68 1-pound loaves of bread out of a bushel of wheat. This just indicates one thing. And, incidentally, Mr. Chairman, my asso-

ciation is highly in favor of 100 percent of parity on domestic consumption for wheatgrowers. We have been in favor of that for 14 years. We have been working a long, long time to try to get what we think is an American price for that portion which is consumed here. We do not apologize for that.

You can get 68 1-pound loaves of bread from a bushel of wheat. This would indicate that in this new bill we are asking that the price of wheat be increased approximately 50 cents—if the price of bread goes up 1 cent. And all of this is passed on to the farmer and this would indicate that he would have to get 68 cents increase in the bushel of wheat if he got it all. But we feel that and we have admitted and a number of groups have that under this proposal it would be legitimate for the price of bread to go up 1 cent.

My friends in the bakery and milling industry, I think, know as well as I know and you know, you gentlemen know, that every year for the past 14 or 15 years the price of bread has increased—sometimes not much—sometimes one-half a cent, but the curve has been generally upward.

In 1947 when I sold a bushel of wheat for around \$3, that wheat that went into that loaf of bread in 1947, I got 2.7 cents for it. This year with wheat selling at \$2, I, the farmer, got 2.5 cents out of it. And the price of wheat has gone up and down during the intervening period of time.

A great deal has been made here this afternoon—quite a bit has been made that what a burden we are putting on the consumers, and what a terrible thing this is going to be. I have been studying about this quite a bit, since it looks as if there was a possibility that the 13 or 14 years' work on the part of my association, that we might get parity on a part of our production—just a part of it. And a lot of people say, "Well, the consumer is going to rise up." So the other day I home home late from one of these meetings and my wife was in the grocery store and I went in. She was lined up in one of these super-stores. It was along about 6:30 or 7 o'clock. And you know what happens at that time. There were several baskets of food there lined up. And while she was waiting to pay the bill, I looked back behind her and there were six or seven or eight other ladies in back of her. Here is where I experimented a little bit. So I walked back to each one of them and I said to each one of the ladies, each one of whom had bread or cookies in the basket, I said, "What did you pay for the bread in your basket?" And I did not find a single one who could tell me. They had just gotten it off the shelf but not one of them could tell me what they had paid for that loaf of bread.

So I think that if the consumers of this country could really understand this proposition that the farmer's price has been going down most of the time in the last 15 years while the price of the bread products has been going up, that they would be willing to pay that 1 cent more in order to get the wheat farmers' income just somewhere near parity on one-half of his production.

Mr. Chairman, I guess that I had better stop there.

Thank you very much.

Mr. PURCELL. Thank you very much, Mr. Kendricks.

Let us go off the record.

(Discussion off the record.)

Mr. PURCELL. Back on the record.

The committee will recess until the call of the Chair. I think it will be Monday.

Mr. HEIMBURGER. May I make one brief statement before you recess, Mr. Chairman?

Mr. PURCELL. We will be glad to hear you.

Mr. HEIMBURGER. I would like for the committee to understand and to forgive me for being a little confused about clears being a byproduct. I have here what purports to be a reproduction by one of these photo processes of a document called "Study for Flour Salesmen" put out by the Millers National Federation some 20 years ago, and I would like to read two sentences from it:

Webster's Dictionary defines "byproducts" as "a secondary or additional product, something produced, as in the course of a manufacture, in addition to the principal product."

The other sentence is—

While special flours are not milling byproducts in the strictest dictionary sense, many of them are, because the principal trade demand is for other than straight and various cutoffs and clears left out in the production of patent flours which become products secondary to the principal milling objective.

Mr. PURCELL. We will now recess until the call of the Chair.

(Whereupon, at 6:25 p.m. the subcommittee recessed subject to the call of the Chair.)

INDUSTRIAL USERS OF WHEAT

WEDNESDAY, APRIL 28, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WHEAT OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:15 a.m., in room 1301, Longworth House Office Building, Hon. Graham Purcell (chairman) presiding.

Present: Representatives Purcell, Redlin, Bandstra, Latta, Dole, and Findley.

Also present: Representative Dague.

Jane Wojcik, staff; and John J. Heimbürger, general counsel.

Mr. Purcell (presiding). Ladies and gentlemen, the committee will please come to order.

We will call as the first witness Mr. Wingate Underhill. If you will please, Mr. Underhill, come around and be heard at this time.

STATEMENT OF W. E. UNDERHILL, ASSISTANT TO THE PRESIDENT OF THE COMMODITY CREDIT CORPORATION, U.S. DEPARTMENT OF AGRICULTURE

Mr. UNDERHILL. Thank you, Mr. Chairman. My name is W. E. Underhill, I am assistant to the President of the Commodity Credit Corporation. The president of Commodity Credit Corporation is the Under Secretary of Agriculture, Charles S. Murphy. I might interpolate that this was written yesterday morning and since that time I have lost a boss, but it doesn't become effective until he is confirmed as a member of the Civil Aeronautics Board so he is still at present the president of the Commodity Credit Corporation.

It is my understanding that the purpose of the hearing this morning is to consider the change which would be made in section 379d(d) of the Agricultural Adjustment Act of 1938 by legislation recommended to the Congress by the President which, if enacted, will be known as the Food and Agriculture Act of 1965. In drafting this legislation a great many things were considered, including the record of a hearing before this subcommittee on September 15, 1964. At that hearing, you may recall, statements were presented on behalf of the wheat-starch-gluten industry, on behalf of the flour millers, and on behalf of the corn millers, among others. At that hearing I presented a statement of the views of the Department of Agriculture, and I would like, at this time, to restate briefly a few of the things that were said at that time.

For at least 10 years certain industrial users of wheat clears have made known to the Department of Agriculture difficulties which they faced in operating with a raw product the cost of which was determined by the domestic support level of wheat rather than its world price. We were able to provide some assistance to this industry by discontinuing the use of flour clears under the foreign famine relief provisions authorized by title II of Public Law 480 and by restricting the use of high ash flour under title I of Public Law 480. The wheat-starch-gluten industry requested that we also eliminate the export payment on flour clears. It was their thought that the elimination of the export payments would cause the price of clears in the domestic market to fall and thus lower the cost of their raw material. Although the matter was considered three or four times, the Department was never willing to take this action.

There were several things that caused Department of Agriculture officials to conclude that the export subsidy on clears should be continued. In recent years there has been a large increase in foreign flour milling capacity in countries which do not grow sufficient wheat for their own needs. This has had the effect of increasing wheat exports but decreasing our flour exports for dollars. The principal remaining flour markets are in countries where consumers have low incomes and are either cost conscious or have an actual preference for flour clears. Flour exporters have contended that in order to retain these dollar markets it would be necessary for them to meet the competition in all grades of flour, and if the export payments were eliminated on clears they could not maintain a complete line of flour in these markets and would be at a decided handicap in maintaining foreign cash markets for wheat flour. The milling industry further pointed out that there are many mills so located in this country that they are out of position to sell flour clears to domestic industrial users. West coast mills, those in the Southwest, and those in the East would be at a disadvantage as compared to the remainder of the milling industry if the export market for clears was eliminated.

At the present time section 379d(d) of the Agricultural Adjustment Act of 1938 reads as follows:

As used in this subtitle, the term "food products" means flour, semolina, farina, bulgur, beverage, and any other product composed wholly or partly of wheat which the Secretary may determine to be a food product.

Since under the existing legislation flour is defined as a food product, once flour has been made it has not been possible for the processor to obtain any relief from the certificate requirement even though the flour is used for some purpose other than human consumption. If there is at present a price squeeze on the starch-gluten industry, and the evidence on this point seems persuasive, we recognized that the position of the industry would be much worse under the proposed legislation which increases returns to farmers by up to 50 cents per bushel from certificates on that portion of their crop which is consumed domestically. If there is validity to the statements of the processors that they are operating at little profit or an actual loss at the present time, then the increase in cost of certificates of 50 cents per bushel could well be a blow that would eliminate a substantial part of the industry.

The wheat-starch-gluten industry turns out products which are used both for food and nonfood uses. We concluded that if the indus-

try is relieved of the cost of certificates on the wheat used in manufacturing that part of its flour which is used for nonfood purposes then perhaps the increase in certificate cost on the wheat used in manufacturing that portion of their flour which is used for human food would not constitute a fatal blow. On this line of reasoning we proposed to make section 379d(d) read as follows:

(d) As used in this subtitle, the term "food products" means any product composed wholly or partly of wheat to be used for human consumption, including beverage, as determined by the Secretary.

The Department of Agriculture and the American farmer have a great deal of interest in new industrial uses for agricultural products. We do not, however, have any such great interest in the substitution of one agricultural raw product for another in existing industrial uses. In other words, we would not advocate any change in legislation which would have as its purpose the substitution of a product made from wheat by one made of corn or vice versa.

We do not think the proposed change in language will have that effect. The principal result we hope to achieve is to make it possible for domestically produced wheat-derived products to compete more effectively with imported materials and to retain markets they now have and to regain markets which they had a few years ago, meaning those that were lost to imported gluten.

We do not believe that the change in any sense constitutes the giving of a subsidy to any industry. At the present time and under the proposed new legislation the corn farmer participating in the agricultural program derives income from the market or support price for his corn and in addition receives price support payments which are not reflected in the price of corn to the processor.

On the other hand, the wheat farmer receives a return in the marketplace or from a price support loan and in addition receives a certificate payment which is reflected in the cost to the flour miller of the wheat used in manufacturing food products for domestic use.

The difference is that the corn miller gets his corn at what we might call the world price, but the flour millers must pay under the new legislation up to \$1.25 per bushel over the world price for wheat if the flour is to be used in the domestic market. The legislation will equalize the two industries insofar as nonfood uses are concerned. The corn miller will continue to pay the world price for corn and for the first time in a number of years the flour miller and the industrial user of wheat flour can obtain wheat at the world price on the proportionate part of the raw material which is used to make flour which is used for nonfood purposes or which is processed further into products that are not used for food. The flour miller and the starch-gluten processor will continue to pay the higher domestic price for the proportionate part of the raw material which is used in the production of items for food.

It is our understanding that the percentage of the product which is used for food will vary between processors and there will be some headaches in administering the law. This is, however, a task which we are willing to undertake and one which we think in fairness to all concerned we should undertake.

If the next part of my statement seems technical, I apologize; however, there are industry representatives present, and I believe it will

be helpful to place in the record our ideas on how we expect to administer the law if it is enacted. The procedure contemplated for the ascertainment of the amount of products used for human consumption and those not used for human consumption, respectively, would hinge on evidence supplied by the processor as to the actual end use which we anticipate would be susceptible of verification through test checking. In the case of the coproducts gluten and starch, the wheat contained in these respective products would be ascertained as follows: The entire quantity of flour used in manufacturing the two products would be prorated between them on the basis of the weights of the respective products. The flour in turn would have as a wheat equivalent the quantity of wheat used in the manufacture of the flour. The processor would be required to obtain marketing certificates on the wheat equivalent of such products as are ultimately marketed as food products.

What I have said relates to the starch-gluten industry. There is another type of industrial user of flour, or clears, who manufactures strictly nonfood end products; a typical and important example being glue extender for furniture, wallboard, et cetera. Under the language of the current law—flour being defined as a food product—such a manufacturer must use certificated flour unless he is in a position to obtain a nonedible glue extender processed directly from wheat. The more conventional, and practical way would be for the flour miller to produce the flour and for the industrial manufacturer to acquire the flour, largely clears, from the miller for further manufacture into the glue extender or other end product. The amended definition would permit this practice. It would end the situation, which is costly to industry, and which requires the use of certificates if at any stage of the operation an edible product is produced even though the end product is not used for food.

The proposed amendment would exempt a miller from certificate liability only when the end product is used for nonfood purposes. It is not intended by this provision to exempt a miller from certificate liability for the waste and byproducts resulting from the milling of wheat into flour which is actually used for human consumption. To illustrate, assume that in a given case 100 pounds of wheat are used to manufacture 72 pounds of flour and that 36 pounds of this flour are used for food and 36 pounds or further processed into glue extender. In this case the processor would be required to buy certificates on 50 pounds of wheat.

Mr. Chairman, I appreciate the opportunity to appear before this subcommittee, and if there are any questions I will be pleased to try to answer them.

Mr. PURCELL. Thank you, sir.

Are there questions of this witness?

Mr. LATTA. Mr. Underhill, I have been concerned for several years about the fact that under our price-support system the manufacturers who use clears were required, from a competitive standpoint, to import clears. Will this proposal change this situation any?

Mr. UNDERHILL. This proposal, in our judgment, would change the economic necessity, if that is how it can be described, for the importation of clears. If this proposed section is not enacted and the cer-

tificate cost increases, then there would be more pressure placed on the industry to import flour clears.

Mr. LATTA. Have you any record there that you can give the subcommittee this morning as to how many pounds of these clears were imported last year?

Mr. UNDERHILL. I wouldn't want to be held to this figure, but I have in the back of my mind maybe there was 600,000 hundredweight clears imported for processing or nonfood use.

Mr. LATTA. How many bushels of wheat would be required to obtain 600,000 pounds of clears?

Mr. UNDERHILL. Between $1\frac{1}{4}$ and $1\frac{1}{2}$ million bushels.

Mr. LATTA. Then, if we hadn't imported these clears last year we could have consumed over a million bushels more of our domestic-produced wheat.

Mr. UNDERHILL. That is correct. And this does not include the importation of gluten which was processed abroad. That also represents a loss of some of the wheat market to our farmers.

Mr. LATTA. How much gluten did we import last year?

Mr. UNDERHILL. I will be glad to supply that for the record, Mr. Congressman.

Mr. LATTA. Well in round figures could you give us some idea?

Mr. UNDERHILL. I am afraid not. The figure of maybe 6 million pounds sticks in my mind, but that could be wrong.

Mr. LATTA. How many bushels of wheat are represented in this figure?

Mr. UNDERHILL. My math may be bad, but it might represent a half million bushels.

Mr. LATTA. Should these changes that you are suggesting to the subcommittee be adopted, do you think they will take care of this problem so we will not have to import clears and gluten?

Mr. UNDERHILL. I don't believe I can predict what will happen. Gluten is, of course, used primarily as a food product. On that part of the wheat that goes into the gluten the processors will still have the certificate cost, but some of the coproducts that are used for nonfood purposes will not require the certificates, and that will reduce the net cost of their wheat.

Mr. Congressman, I now have a figure on importations of gluten. I do not have one for 1964, but in 1963 it was 8 million pounds.

Mr. LATTA. And this would represent something over a half million bushels of wheat.

Mr. UNDERHILL. I believe so.

Mr. LATTA. Well, if this recommendation is adopted would it take care of the problem the starch manufacturers have had for several years?

Mr. UNDERHILL. It is a joint industry. Gluten and starch are both turned out by the same people.

Mr. LATTA. I am talking about the problem of both starch and gluten manufacturers.

Mr. UNDERHILL. It will provide some relief for that industry.

Mr. LATTA. I don't know whether that answers my question. It might provide some relief, but how much relief?

Mr. UNDERHILL. If 50 percent of the product is used for nonfood uses that would eliminate one-half of the certificate cost and would

reduce the cost of their wheat 62½ cents per bushel from what it otherwise would be.

Mr. LATTA. Let us direct our attention now to this food use. Since you limit this to a nonfood use, are they going to have to import these clears to be competitive, and, if so, why so?

Mr. UNDERHILL. Frankly, Mr. Congressman, I don't know what the effect will be. But if they can get the raw product at the world price for nonfood uses they certainly will not be importing or there would be no incentive to import wheat flour clears for manufacture of industrial products, that is for the nonfood uses.

Mr. LATTA. I am glad to hear you say that and I hope that it works out that way because I have contacted the Department on this problem over the last several years and nothing has been resolved. I certainly hope, Mr. Chairman, that we can do something about this problem.

Thank you very much.

Mr. PURCELL. Mr. Redlin.

Mr. REDLIN. Mr. Underhill, as I understand it you are suggesting the enactment of this amendment to provide for this use and a considerable saving to the industrial users. Would it also mean that the industrial user would perhaps reduce his cost in the total for building whatever he is making as a product by not having to go to the foreign supplier and being entirely free of the certificate cost in this country?

Mr. UNDERHILL. Well, as the cost of his raw product comes down I would think competition would require the processor to sell his products to his customers at lower prices.

Mr. REDLIN. It could possibly increase the use of wheat in the United States and also decrease the cost of the ultimate product to the consumer of that product?

Mr. UNDERHILL. It could have both effects.

Mr. REDLIN. One more question. Would you take just a minute and explain to this subcommittee just what a clear is.

Mr. UNDERHILL. In the old days, almost universally, about 72 percent of the wheat ended up in flour. There was no such thing as clears. Later on people began demanding a higher grade of flour, what we call a patent flour. Instead of having 72 percent of the wheat grind in such flour it might consist of say 65 to 68 percent of the grain. Now then, the clears which is still flour but is the lowest grade of flour is the difference between where the mill stops with the patent flour but continues up to the traditional 72-percent grind to produce a product which can be used either for edible or nonedible purposes.

Mr. REDLIN. The clears could be eaten and could be used for human consumption, however?

Mr. UNDERHILL. A great part of the clears, particularly the first clears, are used for human consumption by bakers and in pancake flour and malted milk, things of that type.

Mr. REDLIN. This is why you would need to know the ultimate purpose of the use of this particular clear?

Mr. UNDERHILL. That is correct.

Mr. REDLIN. Thank you.

Mr. PURCELL. Mr. Bandstra.

Mr. BANDSTRA. Mr. Underhill, are there any duties at the present time on these clears and gluten that is imported or has been imported for the past few years?

Mr. UNDERHILL. There is some duty on the gluten. There may be a little on the clears but the clears come in ex quota. We do have a quota on our normal flour and wheat imports, but through some quirk of administration that has extended over many years the importation of clears is not charged against the quotas.

Mr. BANDSTRA. Well then one alternative solution to the problem that Mr. Latta suggests regarding this importation would be to raise the duty on clears and gluten that are imported at the present time.

Mr. UNDERHILL. That would certainly have the effect of cutting off some of the imports.

Mr. BANDSTRA. Is it true or is it not true that this proposed change would bring wheat somewhat into competition with corn in the milling industry insofar as starch in particular is concerned?

Mr. UNDERHILL. I assume wheat starch and cornstarch are in competition at the present time for a great many uses. Because of the limited market for gluten we don't think there would be any tremendous increase in wheat starch manufacture. Gluten and starch are coproducts. We would hope, of course, that the domestic industry can take up the slack currently caused by imports of gluten, and to that extent there might be a minor increase in wheat starch output which would compete with other types of starches.

Mr. BANDSTRA. What is this gluten really used for?

Mr. UNDERHILL. I believe it is used in bread, in breakfast cereals and so on to give the finished product certain characteristics desired by the baker or the breakfast food manufacturer.

Mr. BANDSTRA. So the gluten itself would not compete with corn in that field?

Mr. UNDERHILL. It would not, to my knowledge.

Mr. BANDSTRA. And the wheat starch, what is that used for primarily?

Mr. UNDERHILL. I understand that it is used both for edible and inedible purposes. I am not enough of a technician by any means to list all of its uses. I understand it has a very great many diverse uses.

Mr. BANDSTRA. I have just one other question. I understand from your testimony that in the past the Department has resisted freeing this wheat from the certificates as you have outlined. I am not quite clear on the reason for taking this somewhat different position at this time.

Mr. UNDERHILL. One reason might be that under the new legislation the cost of the certificates is increasing quite substantially, and it might be that we have thought that it would be too much of a blow for an industry which claims to be crippled at the present time to stand an additional 50 cents per bushel in the cost of its raw product.

Mr. BANDSTRA. Thank you.

Mr. PURCELL. Mr. Findley?

Mr. FINDLEY. Mr. Underhill, I would like to pursue the possibility raised by Mr. Bandstra that this might cause a hardship on the firms that use corn for products similar to the uses to which wheat clears are put. If this amendment becomes law, in your opinion would this estab-

lish the normal price relationship between wheat and corn which has existed pretty much in previous years or would it disturb that price relationship?

Mr. UNDERHILL. We think as far as industrial uses are concerned it would put the relative prices of wheat and corn to the industrial processor on the same basis as the world prices.

Mr. FINDLEY. But how would this compare with the historical relationship between wheat and corn say in the past 5 to 10 years? Would this not actually create a sharp disparity?

Mr. UNDERHILL. It would change the relationship that has existed for the past 5 or 10 years.

Mr. FINDLEY. Could you tell us about how much change in cost per bushel, for example?

Mr. UNDERHILL. It would vary at different times. I would say in taking the entire period it might change the relationship between 50 and 75 cents per bushel.

Mr. FINDLEY. Of course, this would be quite a percentage of the market value of corn, would it not? So, if, as I assume is the case, the cost for raw materials is a major item in the manufacture of adhesives and such as that, this would be quite a hardship on those who are trying to compete effectively for the gluten and adhesive markets with corn. Would that not follow?

Mr. UNDERHILL. To some extent that is true, Mr. Congressman. On the other hand, with the cost of certificates going up 50 cents per bushel, taking into account that perhaps only 40 or 50 percent of the outturn of these processors is used for industrial purposes, what we have done is more or less to prevent a further change from taking place rather than to eliminate the current disparity.

Mr. FINDLEY. So that because the extra 50 cents would cause a hardship this amendment is being proposed.

Mr. UNDERHILL. That is certainly one of the factors that caused that language to be written the way it is.

Mr. FINDLEY. As I understand it the whole objective of the increase in certificate price is to put more income in the hands of the farmer rather than forcing the miller to assume new costs and thus push up the price of bread.

Mr. UNDERHILL. That is correct.

Mr. FINDLEY. Then would it not be a far more equitable solution to this problem simply to send the farmer an extra 50 cents a bushel in the form of a Treasury check instead of going through this certificate process? In that way the miller wouldn't have to buy the certificate at higher value, the farmer would get the extra income, and I think we would be all a lot better off.

Mr. UNDERHILL. Well, of course, Mr. Congressman, that gets to a very basic question as to whether we have a price support program and, if so, how it is paid for. And, of course, at the present time we have it working one way for corn and a different way for wheat.

Mr. FINDLEY. We are down to basic questions in this amendment and that is why I raise it. Would you not agree that this is a way to meet the problem?

Mr. UNDERHILL. That would certainly be a different way to meet the same problem.

Mr. FINDLEY. From the standpoint of the Commodity Credit Corporation would there be any further problems in this method I suggest as compared to the other?

Mr. UNDERHILL. It would certainly cut off the source of income from the certificates and require a much larger appropriation from the Treasury.

Mr. FINDLEY. And the program would be funded primarily out of general revenues produced by taxes based on ability to pay as compared to the regressive character of this processing tax of the millers. Am I correct there?

Mr. UNDERHILL. It would come out of the General Treasury, of course.

Mr. FINDLEY. I understand that there is a lawsuit brought against the Department by some millers which approaches \$100 million. The millers are claiming that they have been required to buy certificates where they should not have to buy it. Is the Department, in supporting this amendment, in effect recognizing that there is some merit to this claim?

Mr. UNDERHILL. I don't believe so. There is a gentleman here from our Office of General Counsel. I would be glad to call on him if you want to discuss this particular lawsuit.

Mr. FINDLEY. Well I would be glad to have any comment he wants to make.

Mr. PURCELL. I would suggest that we are really here on the legislative part of it. I don't know that we can help or hurt the lawsuit.

Mr. FINDLEY. Maybe he might clarify it if he wishes to, Mr. Chairman.

Mr. PURCELL. I would like to bring this to your attention, Mr. Findley. I don't know one thing about the costs. We have something indicating Congress attitude, but if it is as liberal as these Federal courts on evidence we may be testifying the first thing you know.

Mr. FINDLEY. I certainly don't want to prejudice the lawsuit, Mr. Chairman.

Mr. PURCELL. Well I would certainly think it would not be wise to go into that now.

Mr. FINDLEY. I have one further question, Mr. Chairman. I have heard that a new interpretation has been made under which wheat used for relief purposes whether food or otherwise and whether used in the United States or outside would be exempt from certificates. Has there been any determination of that sort to your knowledge?

Mr. UNDERHILL. I haven't been in on any discussion of that, and again I mention that we have a gentleman here from the Office of our General Counsel and I could call on him to comment on that if you would like for him to do so.

Mr. FINDLEY. That is not specified in the bill and I think it would be something worth clarifying, Mr. Chairman.

Mr. PURCELL. Yes, I think it would be.

Mr. BOR. My name is Robert M. Bor. I am from the Office of the General Counsel of the Department of Agriculture. I wonder if Congressman Findley could repeat the question.

Mr. FINDLEY. Has there been an interpretation which would exempt from certificates wheat used for relief purposes whether this welfare activity occurs within the United States or elsewhere?

Mr. BOR. To my knowledge there hasn't been any interpretation which would apply to wheat that is used for relief purposes within the United States. There is a provision in the law today which covers wheat which is used for donation abroad, but it does not apply to wheat which is used for relief purposes within the United States. One of the provisions of the proposed bill would have an effect upon this.

Mr. FINDLEY. My attention was called to page 11 of H.R. 7097. The language beginning on line 9 has reference to exemption of wheat processed for donation.

Mr. BOR. The words "wheat processed for donation" is new language and this is part of the amendment that has been proposed to the existing law.

Mr. FINDLEY. Right. Is the intent of that to exempt all wheat for donation for welfare purposes within the United States from the purchaser's certificate?

Mr. BOR. One of the purposes of this to the best of my recollection was to cover a situation that exists with respect to the Mormon Church. The Mormon Church has a number of farms on which wheat is produced. This wheat is ground by a mill owned by the Mormons and the resulting products are used in turn for relief purposes by the Mormons. One of the purposes of this bill is to cover this kind of situation.

Mr. FINDLEY. Of course it looks like this is broad enough to cover about everything.

Mr. BOR. It could well be that it could apply to other types of donations. The language in the bill, however, is not mandatory. It provides discretionary authority that would be vested in the Secretary.

Mr. FINDLEY. But with corn being involved in various relief activities conceivably this could introduce another major competitive advantage for wheat over corn, could it not?

Mr. BOR. I don't think I am qualified to answer that question, Congressman.

Mr. FINDLEY. I have no further questions.

Mr. PURCELL. Mr. Underhill, in regard to an answer that you gave I think to Mr. Latta's question, you said there were 8 million pounds of gluten imported in 1963.

Mr. UNDERHILL. That is correct.

Mr. PURCELL. Now at that time we had no certificates, is that correct?

Mr. UNDERHILL. That is correct.

Mr. PURCELL. My point, of course, is at that time we imported 8 million pounds without certificates and I don't know whether the price of wheat had anything to do with gluten, but generally wheat was about \$2 a bushel and now with certificates wheat for this purpose would have been I guess at \$1.30, without certificates.

Mr. UNDERHILL. Without the certificates. The cost of certificates is of course added insofar as the processor and the miller have been concerned over the past year.

Mr. PURCELL. At any rate there were 8 million pounds imported without certificates. Now if the certificate plan is at fault in bringing about these importations how much is imported now?

Mr. UNDERHILL. I don't have figures for 1964, but I do know that there has been quite an increase. It has gone from 1.2 million pounds in 1960 to 1.5 in 1961, to 6.4 in 1962, and up to 8 million in 1963. If we project that as a curve we would probably be on up to 10 or 11 million pounds in 1964. But I do not know as a fact that that is the case.

Mr. PURCELL. Because the curve has gone from 1 to 8 million I don't know whether the certificates ought to take the blame for it or not.

Mr. UNDERHILL. I don't think the certificates as such should take the blame for increased imports. It is a condition that would exist in any event as long as the price of wheat that the American farmer receives is above the world price and we don't have import protection on gluten. It is bound to be imported to some extent.

Mr. PURCELL. If this suggestion made by the Department is accepted by the committee and made a part of the law, do you have any way of estimating what the loss in certificate values to the farmer would be?

Mr. UNDERHILL. Well there might be 8 or 9 million bushels of wheat involved altogether, but some of that wheat would be used for human food. So if we take it down to a net basis we would probably have 5 million bushels on which certificates would not be purchased. So at a cost of certificates of \$1.25 per bushel you might say that \$6.25 million might be involved. However, we think that if the cost of certificates goes up people who are now using domestic wheat products are not going to be able to continue, imports are going to increase, and so a good part of that loss that we described as being a loss to the American farmer, maybe all of it, would occur anyway through a reduction in the domestic consumption of wheat.

Mr. PURCELL. All right, sir. One more question very, very briefly. On the last page of your testimony would you for the record and at least for me explain your illustration again on the 100 pounds of wheat turning out to be 72 pounds of flour. I am not sure I follow you.

Mr. UNDERHILL. The traditional grind of wheat in a flour mill is for 100 pounds of wheat to come in the front door, 72 pounds of flour to go out, and for 28 pounds of bran, shorts, and so forth, that are used primarily as animal feeds to be produced. Now under existing legislation we use conversion factors to get back from flour to the amount of wheat required to produce that flour. So at the present time and in the future where 72 pounds of flour are turned out we would say that 100 pounds of wheat must have certificates. Certificates must be purchased to cover 100 pounds of wheat used to make that 72 pounds of flour. If, however, half of that flour is used for nonfood uses, then the amount of the certificates required is cut in half and certificates are required on only 50 pounds of wheat. I don't know whether that makes it clear or not.

Mr. PURCELL. Well I appreciate your trying.

Mr. LATTA. Mr. Underhill, somewhere along the line you lost me on this loss to the American farmer if this proposal is adopted. I want you to explain how there could be a loss to the American farmer if this amendment would curtail some of the imports that are being

made and if they will be using American produced wheat to make these clears and gluten that are now being imported.

Mr. UNDERHILL. There is no loss to the American farmer's market. This would broaden his market. My discussion of loss to the American farmer was a theoretical reduction in price of certificates that the processors would pay. As far as the market is concerned it would not be curtailed and farmers would certainly, we hope, regain part of the market which has been lost.

Mr. LATTA. Then you had reference in speaking about loss to the market that he is losing now, is that right? There would actually be a gain to the American farmer rather than a loss.

Mr. UNDERHILL. A gain in markets to the American farmer.

Mr. LATTA. I wanted the record to be clear on that point. It certainly wasn't to me.

Mr. PURCELL. Let me go at you on that once more. You said there would be a net of 5 million bushels less certificated wheat used or less certificates paid, but as I understand your answer there would be enough more wheat overall used that this loss would be offset.

Mr. UNDERHILL. We don't think there would be any economic loss to the American farmer. In other words the certificate is only one of several factors that enter into the picture.

Mr. FINDLEY. Mr. Underhill, I am sure that the Department and yourself wish no hardship on either the corn or the wheat milling interests here. As I understand it the present price situation roughly approximates the historical relationship between wheat and corn. If we should work out a compromise here in the subcommittee to meet this problem by exempting from the additional proposed cost of certificates, that is permit the users of wheat for these adhesives and gluten purposes to purchase certificates at say 70 or 75 cents instead of \$1.25, what problems would this approach present in your work as head of the Commodity Credit Corporation? Would it be a workable arrangement to have this lower value certificate utilized for this purpose?

Mr. UNDERHILL. It might be somewhat of an administrative headache. I wouldn't say it would be one which couldn't be administered.

Mr. FINDLEY. It might be a way out of this tangle to treat both interests fairly and still retain this certificate approach, which seems to be the way it was used. Do you see any serious problems in administration?

Mr. UNDERHILL. I haven't given the matter any thought. Offhand I don't see any insurmountable obstacles. It is not an approach to the problem that we are advocating.

Mr. FINDLEY. Instead of exempting them from the full value of the certificate just exempt them from the additional 50 or 55 cents.

Mr. UNDERHILL. I see no insurmountable obstacles of administration.

Mr. FINDLEY. Thank you, sir.

Mr. LATTA. Actually, Mr. Underhill, doesn't the corn miller now have an advantage in that he buys his corn at the world price whereas the wheat miller must pay the high American price?

Mr. UNDERHILL. He has had an advantage for 10 years, I suppose.

Mr. LATTA. Isn't that what you testified to here?

Mr. UNDERHILL. My testimony is that the elimination of this certificate requirement would place them on an equal basis insofar as industrial nonfood uses are concerned.

Mr. LATTA. So actually we don't have the potential problem as raised by Congressman Findley, do we?

Mr. UNDERHILL. We see no threat to any other industry by this legislation.

Mr. LATTA. That is all.

Mr. HEIMBURGER. Mr. Chairman, there are lots of questions which Mr. Underhill's testimony has raised in my mind about how this program is administered, but in view of the time I won't go into those. I hope we can perhaps have a discussion with him some other time on some of the details of the administration of this program.

There is one thing I would like to clarify. Reference has been made here in your testimony, Mr. Underhill, and questions from the members were raised about the purchase by these industrial users of certificates. Now, do I understand that the people who buy flour from a miller have to purchase certificates?

Mr. UNDERHILL. The certificates are bought by the miller, of course, and are reflected in their cost of their product to the consumer.

Mr. HEIMBURGER. Thank you. That is my understanding. This is just an example of the complications we get into in these things. We talk about these people having to buy certificates when in fact they don't. The certificates are all bought by the first processor of the wheat. Is that not correct?

Mr. UNDERHILL. You are entirely correct.

Mr. HEIMBURGER. Now one more question, Mr. Chairman. The wheat gluten which is imported and the clears which are imported from overseas, do the importers of these products have to purchase certificates?

Mr. UNDERHILL. They do not.

Mr. HEIMBURGER. They don't?

Mr. UNDERHILL. They do not.

Mr. HEIMBURGER. Thank you, Mr. Chairman.

Mr. PURCELL. Now we will hear from Mr. Garthoff.

STATEMENT OF AL GARTHOFF, ASSISTANT TO THE DEPUTY ADMINISTRATOR, COMMODITY OPERATIONS, ASCS, U.S. DEPARTMENT OF AGRICULTURE

Mr. GARTHOFF. Mr. Chairman, I didn't know I was to make a speech and I do not have any prepared statement. I thought Mr. Underhill said all the Department had to say. Mr. Underhill's last answer was that on imported wheat gluten and clears certificates are not required and they are not because they are not processed in the United States.

Mr. PURCELL. All right, sir. Anytime other witnesses I name may feel the same way don't feel bashful about saying; you don't have to be heard.

Mr. GARTHOFF. Thank you, Mr. Chairman.

Mr. PURCELL. My list now shows American Corn Millers Federation and some four names.

STATEMENT OF DONALD M. COUNIHAN, COUNSEL, AMERICAN CORN MILLERS FEDERATION; ACCOMPANIED BY LOREN LARRICK, LANHOFF GRAIN CO., DANVILLE, ILL.; FLOYD McRAE, ILLINOIS CEREAL MILLS, INC., PARIS, ILL.; AND B. L. SCHWARTZ, KRAUSE MILLING CO., MILWAUKEE, WIS.

Mr. COUNIHAN. Mr. Chairman, my name is Donald M. Counihan. I am general counsel for the American Corn Millers' Federation, 1000 Connecticut Avenue NW., Washington, D.C. I am speaking to you today on behalf of the American Dry Corn Milling Industry. With me on my far right I have Mr. B. L. Schwartz, vice president of Krause Milling Co., Milwaukee, Wis.; also Mr. Floyd McRae, vice president of Illinois Cereal Mills, Paris, Ill.; and on my immediate right Mr. Loren Larrick, executive vice president of Lanhoff Grain Co., Danville, Ill.

For the help of the subcommittee, the dry mill industry is mainly a grinding process and the wet milling industry can speak for themselves later. But I gather from a layman's viewpoint it is a wet chemical type industry. Our industry is the dry milling industry.

Each year our industry grinds over 100 million bushels of corn for a wide variety of food and industrial uses. This represents over \$125 million in cash to the American corn farmer. Our mills are located in every State of the continental United States. The American Corn Millers Federation is composed of mills which account for more than 90 percent of the corn products milled by the dry process in the United States.

Legislation to improve farm income is not only important to our Nation's farmers, but to all other segments of our economy as well. However, in formulating legislation designed to assist a special group, such as wheat farmers, we must be certain that we are not penalizing the producers and processors of competitive farm products or the consuming public. In this regard, we must respect the established market divisions that have existed throughout the years.

In section 104 of this bill, it is proposed to amend the definition of "food product" as found in section 379d(d) of the existing law, so as to exclude the nonfood uses of wheat, including industrial uses, from the requirements of certification. This is the position that USDA has taken earlier in these hearings. In effect, this is similar to a refund of certificate costs in that the food wheat processors' certificate requirements will decrease substantially. This departure from the existing definition will seriously curtail the competitive industrial relationships of the various grains which have been established for many years. What is and has been a food grain. In certain markets and priced appropriately, wheat can be used for industrial purposes. On the other hand, corn—the only grain grown in every State—has been used for industrial purposes since the days of the Civil War. This bill, by raising the support on food wheat and allowing industrial wheat to compete on what amounts to a subsidized basis, represents a serious economic threat to the survival of the industrial corn milling industry.

As a result of decades of experimentation, research, investment, and plain, ordinary hard work, large industrial markets have been developed by our industry. Enormous sums of money have been

spent for research and capital equipment. Now, corn is used in core binder which is used by foundries in the manufacture of iron castings. In addition to core binder, merely used as an example, equally important are the following uses for dry milled corn: gypsum board; wallboard; paper and paper products; textiles; adhesives; charcoal briquetting; ore beneficiation; fermentation; explosives; and others. Corn has additional industrial uses of such diversity that they are too numerous to mention here.

We feel that it is not in the interests of American agriculture, the American consumer, nor is it fair play, to shift, by legislation or administrative fiat, the long-time industrial relationships of the various grains. H.R. 7097 as drafted, has the effect of subsidizing the use of wheat "for industrial purposes." Thus, under the certificate program, removal of the domestic certificate requirement from other than food use, wheat would cause the burden of subsidizing industrial wheat to be paid by the farmer or through higher Government costs by the taxpayer. Furthermore, enactment of this bill would cause a permanent drying up of the aforementioned industrial use markets for corn. The proposed interpretation and definition of "food products" in this bill would open a Pandora's box of problems by designating a portion of the products resulting from the milling operation of wheat as "food" and thus subject to the certificate price, and another portion of the products from this same wheat as not subject to certification because they would be defined as "nonfood" or "for industrial use." The definition set forth in the amendment in question is illogical, impractical, and basically unfair.

The wheat program is designed to protect the wheat farmer. No one questions this basic premise. By either exempting industrial products obtained when processing wheat for food use from the certificate requirement, or refunding for an industrial use, there are less certificates used and either the wheat farmer is hurt or the already overburdened taxpayer picks up the bill. The number of certificates purchased by the wheat miller will be reduced by the amount of products decertificated.

We do know the wheat processor must raise the cost of the processed wheat product; that is, flour, from the very nature of the bill. The result is that the consumer will be paying more money for a loaf of bread. This has been suggested by both the wheat millers and several Members of Congress. However, by passing on his increased costs to his flour purchaser, he maintains the status quo as to his amount of profit. The consumer ends up paying more for bread and thus pays the costs of the program—in effect subsidizing the industrial user—our competitor. However, not only must the consumer pay for this program through increased prices on bread, but the corn farmers and corn millers must also pay by losing a substantial share of a hard-earned market to a subsidized competitor. Having maintained profits through passed-on price increases, the processor is now left with a byproduct, industrial-use wheat, for which he has not had to pay certificate-supported prices. He has made his profit on food-use wheat and therefore is free to sell this industrial-use wheat on the open market regardless of price. In effect, industrial-use wheat becomes a bonus, a windfall paid for by the consumer to the wheat processor. This industrial-use wheat will not be used to create new markets. It

will not act as a stimulus to the economy. This industrial-use wheat will be dumped into a market that, until now, has been created and held by the feed grains.

Industrial corn flours and industrial wheat flours are relatively interchangeable in many industrial processes. Our customers buy on the basis of price, and any legislation which would permit subsidized industrial-use wheat flour to sell at a lower price than industrial corn flour will have a devastating effect on our industry. The sale of low-cost industrial wheat flour most certainly will displace the sale of industrial corn flour somewhere along the line. We cannot say just how fast the substitution of one for the other will occur, but we know it will occur. Industrial wheat millers and industrial corn millers are all in the same business in that the product they sell is starch. The competition between the various industrial starches is intense and continuous. In fact, it is continuous between the wet corn millers and the dry corn millers. We even compete with our competitors the wet corn millers for the identical markets. As wheat starch and corn starch can be used interchangeably, the proposed change in definition will result in a substantial loss of the industrial starch market by the corn millers.

It is illogical to create a new market for an existing food grain by disrupting an established feed grain market.

It is not practical to allow this to happen when the costs of administering the program are such that the Department of Agriculture has stated that in order to administer such a program an army of inspectors and accountants will be required.

Finally, it is not fair to legislate in a manner that will unnecessarily give wheat processors a windfall and mortally wound the industrial corn market, and furthermore make the consumer bear the burden of paying for this inequity. It may be fair to make the consumer pay 1 cent more for bread to support the wheat farmer, but should he pay an additional amount to support an army of administrators and a subsidy for industrial wheat processors?

The mechanics and pitfalls of administering this type of program are quite apparent and well known to the Department of Agriculture. In a brief filed in support of a motion for summary judgment by the Department of Justice on March 29, 1965, just a few short weeks prior to this date, on behalf of the Secretary of Agriculture, in the case of *Morrison Milling Company et al. v. Orville Freeman et al.*, and the citation is in the testimony (U.S.D.C. D.C., civil No. 304-65), the Department of Agriculture takes a position contrary with the one taken in this bill. At page 9 of that brief, in reply to an allegation by the plaintiffs that the certification should be varied, depending upon whether the final wheat product was partly for industrial purposes, et cetera, it is stated flatly:

The implication in plaintiffs' argument is that the Secretary was under some legal duty to establish a complex system which would give effect to the infinite variations present in the condition of wheat and its usages. However, there is obviously nothing in the statute requiring the Secretary to evolve such a scheme * * *.

Further, at page 10 of this brief it is stated:

The Secretary has devised a simple method—one that would not require an army of accountants and investigators—and since the regulations are not dis-

criminatory in their objectives they must be upheld. We believe a complete answer to plaintiffs' argument that the deductions are insufficient is that there is no requirement by Congress that any deductions whatever be permitted from the bushel of wheat as purchased by the miller from the producer or other source.

We agree with the Secretary's position in this brief and cannot see either the need or the sense of an army of accountants and investigators. Nor do we see why the Secretary has apparently changed his position in so short a space of time. The farm program is complicated enough already. An accurate breakdown of the wheat kernel into food and industrial uses would be practically impossible. As correctly prognosticated above in the Department of Justice brief, to accurately determine just what the correct price of the wheat should be; i.e., what portion of the wheat entering a mill should be subject to certification and what portion should be exempt therefrom, is economically unfeasible.

Over the years, the dry corn milling industry has done an outstanding job of developing industrial uses of corn. This has not been an easy task. However, it is a task which was accomplished without subsidies and even though we were paying support prices for corn that often were well above the world market prices. Further, we had to compete with cheap tapioca starch coming into the country duty free from the tropics.

If section 379d(d) of the present law is amended as proposed in H.R. 7097, our traditional industrial markets will be invaded and destroyed by subsidized wheat. This, we submit, is forcing the consumer and the corn producer and corn processor to pay for permitting wheat to take over traditional industrial corn markets. Moreover, this artificial competition, so foreign to American economic policies, could only be maintained so long as the subsidy—caused by removal of the domestic certification requirement from industrial-use wheat—is maintained and thus we create a vested interest in the indefinite continuation of the subsidy.

When a slaughterhouse purchases hogs, it gets more than ham, pork chops, and pork loin—it gets sowbelly, sinew, bones, and guts. Similarly, when a wheat miller purchases a bushel of wheat for processing into food products, it is unavoidable that approximately 30 percent of each bushel by weight will be “lost” in the processing operation. Part of this “loss” is industrial-use wheat. It has value just as sowbelly and pork sinew have value. But, just a farmer can't grow ham or bacon without the whole pig, a farmer can't grow wheat than can be processed into flour without some nonfood byproducts. To legislate such products out of the definition of wheat would be the same as legislating sowbelly and sinew out of the definition of hogs. If one is to recommend such an unorthodox and illogical position, there must be some overriding public interest to support it. However, under present circumstances, we have shown that this legislation is definitely not in the public interest as it may be detrimental to the national economy as a whole—corn farmers, wheat farmers, consumers, corn processors, and taxpayers.

To avoid disruption of the established industrial markets of corn, we therefore propose that H.R. 7097 be amended to provide that all references to food products of wheat be deemed to refer to wheat used for food and industrial uses.

The amendment we suggest to accomplish this is as follows:

On page 12, line 8, of H.R. 7097, strike all which follows the word "beverage" and substitute, "and industrial uses, as determined by the Secretary".

Section 379d(d) would then read as follows:

As used in this subtitle the term "food products" means any product composed wholly or partly of wheat to be used for human consumption, including beverage, and industrial uses, as determined by the Secretary.

Thus, the amendment provides that wheat used for industrial purposes would be supported in the same way as wheat used in food. It should be noted that marketing certificate protection has already been accorded to food, food products, and beverages, and that this amendment to H.R. 7097 would merely extend such certificates to industrial uses for wheat.

To grant fair play to corn growers, corn processors, farmers, and the great consuming public, we strongly urge that such an amendment be added to this or any other wheat proposal approved by your subcommittee.

On behalf of the dry corn milling industry, I wish to thank you for giving us the opportunity to present our views today before this subcommittee.

Our group of three men on my right, all dry corn millers, will be happy to answer any questions that you might have.

Mr. LATTA. Mr. Counihan, after listening to your statement, I assume that you are opposed to this amendment.

Mr. COUNIHAN. For the record; yes, sir.

Mr. LATTA. Let me say that I am not one to favor one commodity group over another, but I hasten to ask you where your industry has been during this period of time that they have been importing gluten and starch if these products are interchangeable? Why haven't you been filling the market?

Mr. LARRICK. I would attempt to answer that, Mr. Congressman. I would say, first of all, that the dry milling industry does not produce a gluten product as such.

Mr. LATTA. Then they are not interchangeable and we are talking about two separate things.

Mr. LARRICK. Not in gluten, but they are interchangeable in starch.

Mr. COUNIHAN. And the proposal, Mr. Latta, is to exempt them from the industrial part. According to the testimony this morning you would charge them a wheat certificate applicable to the food portion of the wheat that was taken for this alleged industrial usage. So in the starch area, in fact when you process the wheat, and I am not a wheat miller, but as I understand it they get a larger amount of starch from the wheat than they get gluten. Costwise the gluten is the high-value material they are seeking. It is the diamond. But when looking at the diamond they end up with a sizable amount of wheat starch and it is at that level the fight is on.

Mr. LATTA. Actually, if we adopt the amendment that you are proposing we wouldn't solve anything insofar as the importation of gluten and these clears is concerned. Is that a true statement?

Mr. COUNIHAN. There are a variety of methods and I have talked to these people a number of times, sir, on how this could be solved.

Mr. LATTA. Would you enlighten the subcommittee as to how it could be solved? I think we are interested.

Mr. COUNIHAN. A tariff would be one way. The other way that could be handled would be that you see clears as stated by Mr. Underhill earlier this morning, and this has been in the Department of Agriculture for a number of times, as a high-type food product. It is sold in this country as a food product and it is sold abroad as a food product. The only thing is it isn't the highest type of flour and the American economy takes the patent flour as explained earlier and the first clears and second clears are still edible and very fine but don't draw quite the price. As an agricultural product I have no quarrel with it. It is a wheat product and the corn miller is not affected and we shouldn't try to tell you how to run the wheat program. The export subsidy is the identical figure on clears as it is on regular patent flour and therein lies the bone of the problem.

The other answer to your question, and I am sure this will come out in subsequent testimony, I am not sure but that even as an industry the wheat starch people wouldn't seek the lowest source of their raw material whether it be from abroad or domestically. In fairness, necessarily I think that manufacturers seek the lowest price for their raw material. The whole essence of our argument is the raw material and the low price of the finished product. Low-priced industrial wheat equals low-price industrial wheat flour, and therein lies the problem of competition between the two artificially produced.

Mr. LATTA. Actually it is the price that forced them to go outside the country to buy this wheat to be competitive, and now if we would adopt your proposal, which we couldn't as this is a matter for the Ways and Means Committee, they would be placed in a less competitive position? Isn't that correct?

Mr. COUNIHAN. This I couldn't answer.

Mr. LATTA. Let me go back to your page 9 where you talk about the sowbelly and so forth. I tried to follow your logic there. Actually they are not importing the whole kernel of wheat, are they? They are really importing the clears or the gluten as I understand it. Is that right?

Mr. COUNIHAN. That is my understanding; yes.

Mr. LATTA. Can you explain this illustration that you gave us about the purchase of hogs and how that relates to what we are talking about?

Mr. COUNIHAN. Yes, sir. The present law defining food products is the analogy on the hog. Once the whole berry enters the wheat mill in this country—bear in mind on this example I am not addressing myself at all to the importation of clears—

Mr. LATTA. That is what I thought you were talking about.

Mr. COUNIHAN. No, sir; the clears imported, as I understand it, is like going through the slaughterhouse and the man is buying the ham, loin, or pork chop. In the domestic picture the farmer would really like to raise only the pork chops or ham. The present definition within the law which is certainly better than the proposed amendment protects the corn farmer because once the wheat berry enters the flour mill the certificate applies straight across the board to the products exactly like a flour miller can't just say I want the flour only. There have been times in the corn miller industry, believe me, we

wanted the corn oil only but we have got to take the whole thing. We have got to take the corn kernel and get all the products out of it. This is a domestic analogy.

Mr. LATTI. The analogy had reference to the importation of clears and gluten.

Mr. COUNIHAN. No, sir.

Mr. LATTI. This is the thing with which we are primarily concerned? We have a problem we are attempting to solve and certainly I would follow your argument that we shouldn't import hogs. It is a real problem, and I don't think that merely saying that yours is a competitive industry that another industry shouldn't have some relief, when your industry can't fill the need. You haven't been doing it, and you haven't been able to say here this morning how you could fill that need. Unless this Congress does something, this industry will continue to import gluten and clears. So we haven't solved anything. I was very hopeful that perhaps you could tell us that your industry could fill this need.

Mr. LARRICK. Mr. Congressman, there are many diverse uses for starch, and I would guess that in the case of the starch portion of the clears quite probably there may be an in-use product for which a corn starch without expensive modification might not be applicable. Also, I would like to suggest here that our concern is not only to the extent that we eliminate the clears from the millstream from certification, but also if you eliminate from certification all industrial uses of wheat there is no reason why a wheat mill couldn't start up just to produce starch alone and forget the flour. We have no assurance that the present loan price for wheat which, as I understand it, is \$1.25 national average plus the certificate attached to the processor, to the wheat miller, that at that price level and considering the present price level of corn—just compare the loan value of the two commodities—that eventually wheat could not take over our entire starch market.

Now the loan level or the return to the farmer—I assume the Department predicates this upon the historical relationship between the two commodities—if it costs more to raise a bushel of wheat the farmer is entitled to more. Maybe it's worth more. But if we can produce starch for these various industrial uses cheaper from corn produced in our farmlands, we think we should have the market. But if the farm product is set up so that a cash payment is paid to the producer in order to bring his income up closer to parity, but that you permit him to obtain his gross income on this basis and let him sell a portion of his production at a cheap price or any price, then in effect the program is subsidizing wheat in competition with products from corn. Now, as I understand it the present farm program has a price structure which distorts the normal relationship between wheat and corn.

Mr. LATTI. You have raised something I think that we ought to get straightened out. You mentioned that perhaps we would have some company starting in business just to produce starch.

Mr. LARRICK. Mr. Congressman, I think there is no doubt about it. I think you could open up a whole vast area of economic activity. There may be a limit but we can't possibly project what may happen in the future.

Mr. LATTA. Let us examine that possibility for a second. Would it be economically feasible for this company to come into being to produce starch since the least valuable part of the milling products is this throwaway item that we are talking about here? Why wouldn't they mill the higher quality and the higher priced item first rather than mill something of a lower quality and price?

Mr. LARRICK. Well, some of these gentlemen on my right could probably answer this technical question a little better than I can. I would attempt to answer it this way. The starch product derived from the separation of starch from gluten in the clears process is a small portion of the total wheat berry. This we understand. And we also understand in the process of separating gluten from starch from first and second clears that there is quite a large loss or waste that is not recovered in any product. But this doesn't mean that this is the only available source of starch from wheat. They might very well process wheat and never extract the gluten or process wheat purely for the starch alone. We don't rule this out altogether. As I say, I can't project what might happen. But I do know that if you have \$1.25 wheat, and this is the support price, versus \$1.10 corn that there is no reason at all why somebody won't devise a means by which starch can be extracted from wheat cheaper than it can be from corn.

Mr. LATTA. But they don't do that now; do they?

Mr. LARRICK. Because the price of wheat right now is \$1.25 plus 70 cents; that is correct. It may very well be, Mr. Congressman, that we can produce wheat as cheap as we can produce corn for industrial starches. This I wouldn't know.

Mr. LATTA. We are talking about solving the problem of a byproduct of this milling process of wheat: are we not?

Mr. LARRICK. All right. This is the first and second byproduct of wheat milling. There is nothing in the legislation, as I see it, to prohibit a wheat mill being used simply to produce starch—period.

Mr. LATTA. In this first milling process they would get a better product and get a higher price for it. If they can get a higher price for a product, they are not going to produce something to sell at a lower price.

Mr. LARRICK. As I understand it, I think I have heard this quoted around—I think the quality starch they are producing now is around 9 cents a pound. There is no reason why they need go to this extensive processing to produce for 9 cents a pound. There may be industrial markets for starch that might sell for 6 cents a pound.

Mr. LATTA. Do you have any suggestion as to how we could attack this problem specifically and eliminate the fear that you have that this might be expanded into other areas?

Mr. LARRICK. The only suggestion I would have would be to leave it just as it has been for the last few years. I observe also a marked increase in the importation of gluten, and I submit to you that this is entirely because of the price of wheat. Some of these gluten processing plants, as I understand this, and somebody may want to correct me on this, but my understanding of it years ago was built because there was a market for gluten extracted from first and second clears that sold as high as \$1.25 a pound. Subsequently to that, I believe it was the Japanese devised a process where gluten could be produced for as little as 40 cents a pound. Well, now, in the meantime a plant

that might have been built under economic conditions where a product could be sold for \$1.25 a pound suddenly finds the product is only worth 40 cents a pound and obviously they are in trouble. But I suggest this does not necessarily follow the price of wheat.

Mr. DOLE. I am trying to determine—on page 5 of Mr. Underhill's statement the statement is made, and I quote:

The difference is that the corn miller gets his corn at what we might call the world price, but the flour miller must pay up to \$1.25 per bushel over the world price for his wheat if the flour is to be used in the domestic market. The legislation will equalize the two industries insofar as nonfood uses are concerned.

Now do you find any quarrel with that statement? What is the basic reason for the difference of opinion?

Mr. McRAE. I will try it on for size, Mr. Congressman. On the first page of Mr. Counihan's statement he states that our industry consumes approximately 100 million bushels of corn per year. Now to differentiate in the thinking for the moment between gluten and industrial uses of the products because corn is so low in gluten there isn't enough gluten there to recover commercially, for industrial application our industry uses between 15 and 20 million bushels of corn per year. Now, under the proposed plan, corn and wheat, as that statement states, would be at the same price. It would put the miller with his clears in a position to compete with our established markets that we have developed over the years.

Mr. DOLE. Do you think it is a fair provision or unfair?

Mr. McRAE. Very unfair, because basically wheat for years has been higher than corn. This bill would put it with his own words competitive with corn using the consumers' money when she buys bread when she would have to pay more for the bread. Somebody is going to have to make this up somewhere.

Mr. DOLE. Do you think maybe you have had an unfair advantage over the years?

Mr. McRAE. I would say this. I'm not a farmer but I am pretty close to farms. Corn can be grown more economically than can wheat. There is more corn per bushel and the yields are higher and, historically, it has cost less money for the corn, but by the same token so does a Cadillac cost more than a Ford.

Mr. DOLE. Which is the Cadillac?

Mr. McRAE. I don't know. The wheat is the Cadillac in this case. But, basically, it has brought more money on the market because it has had more value. Now it is going to bring it down to the corn value.

Mr. DOLE. I am just trying to reconcile that statement. I can't always agree with the Department, but the statement seems to be logical and objective and I thought if there was some serious distortion maybe it should be made a part of the record.

Mr. McRAE. It will displace corn markets that we have established.

Mr. DOLE. In other words, if you put wheat on the same competitive basis in this area as corn you will destroy corn.

Mr. McRAE. That is correct, sir.

Mr. DOLE. And it will be to your advantage to take care of the corn.

Mr. McRAE. Take care of the corn farmer. Take care of the investments that have been a national trend here for decades.

Mr. LARRICK. Wheat could not replace corn in this industrial area if it were not for a price-support program.

Mr. McRAE. That is correct.

Mr. LARRICK. If you now let open the floodgates and let every farmer produce as much as he wanted, I am not proposing this but I am suggesting if this were the case wheat could not possibly compete with us in the corn industry in the industrial fields.

Mr. DOLE. I think we have a price-support program for corn too.

Mr. LARRICK. Yes; we do. Currently there is an outright support program for the price of corn and a relatively low support price for wheat with a very high cash payment. So in effect you are creating a market price for wheat which is lower historically in relationship with corn than it has been at any time in the last 15 years.

Mr. REDLIN. Sir, I noticed in earlier testimony by Mr. Underhill an effort, as I understand it, has been made to identify this thing called gluten and its relative relation to the total amount of wheat involved in the original purchase and that it relates only to that portion used for that particular purpose. I gather from that that in the case of gluten, for instance, they would be able to determine what portion was going into that particular process and free him from certificate cost on that particular portion. It looks to me like this is the authority that is being asked. Now confining our discussion to gluten for a moment, with that interpretation it would in no way be competitive at least in that area with corn. Is that right?

Mr. LARRICK. Well if we confine our comments strictly to gluten, I would suppose that our industry would not object as strongly as we are doing so today. This would perhaps represent a minor portion of the wheat millstream that might eventually reach the industrial market. But as of the moment the Department currently has indicated by interpretation this is the only area that they have in mind. We submit there is nothing in this legislation to prevent the broadening of this operation to a point where any wheat mill depending on the economic forces involved on any given day, and after all the price of wheat fluctuates, the price of first and second clears fluctuate, the price of patent flour and regular flour fluctuate any day, so that on any given dates the economics may determine instead of pulling up 5 percent why doesn't he yank off 10 percent or 15 percent, or he may well find a day when a patent flour market is overburdened and he may want to crank up his full wheat process and just put on industrial flour which can be converted with industrial starch in competition with our product.

Mr. REDLIN. As I understand it the determination would have to be made as to what the actual purpose and intent of the man is when

he purchases the wheat. Now I understand you have to follow this through to determine how it was disposed of.

Mr. LARRICK. We think, sir, this would be almost impossible to police.

Mr. REDLIN. Do you agree that perhaps we should seek to fill this market with a gluten product from U.S. sources if we possibly can?

Mr. LARRICK. I would have no objection to this if you possibly can. We're not objecting to the gluten factor per se from first and second clears.

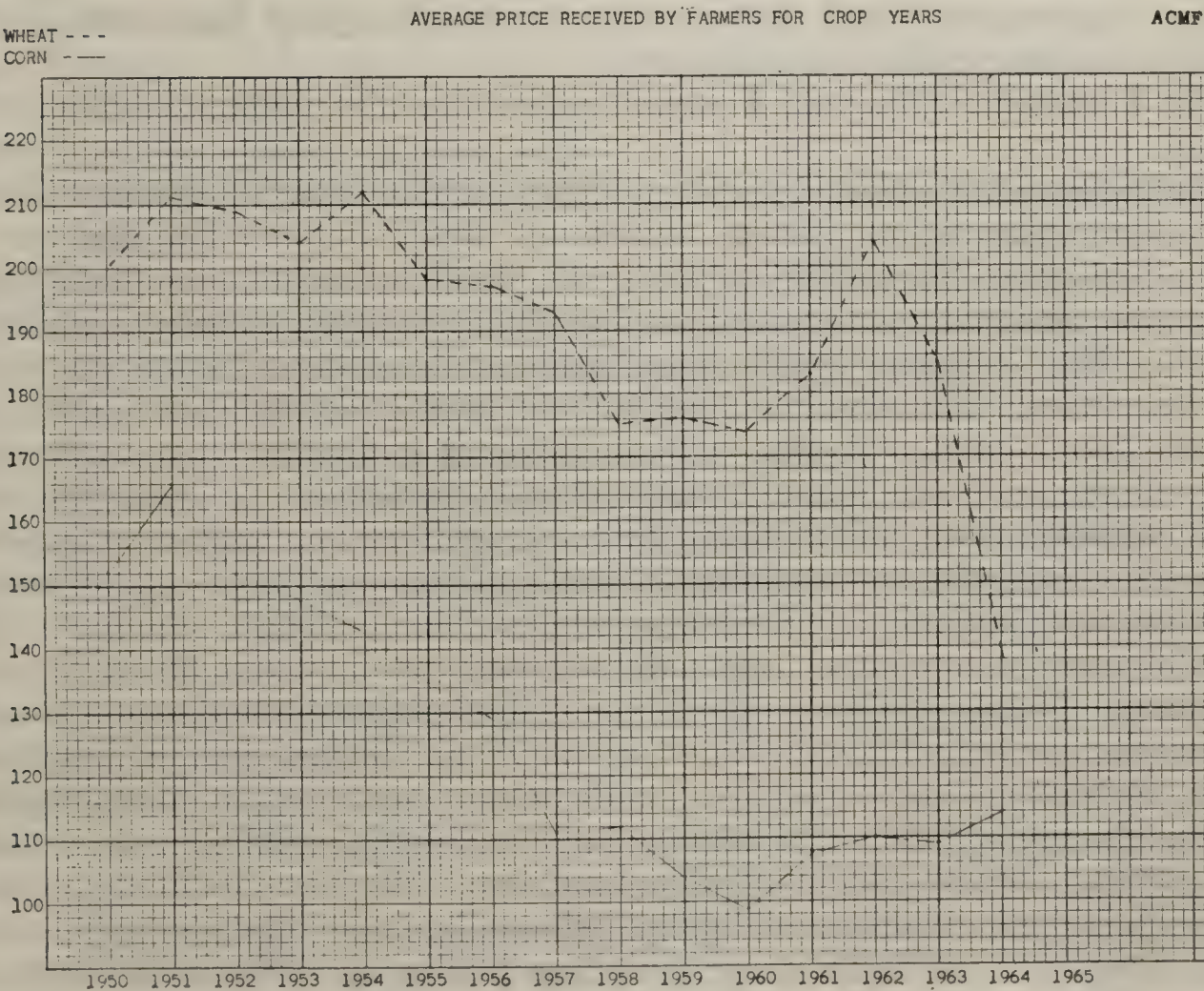
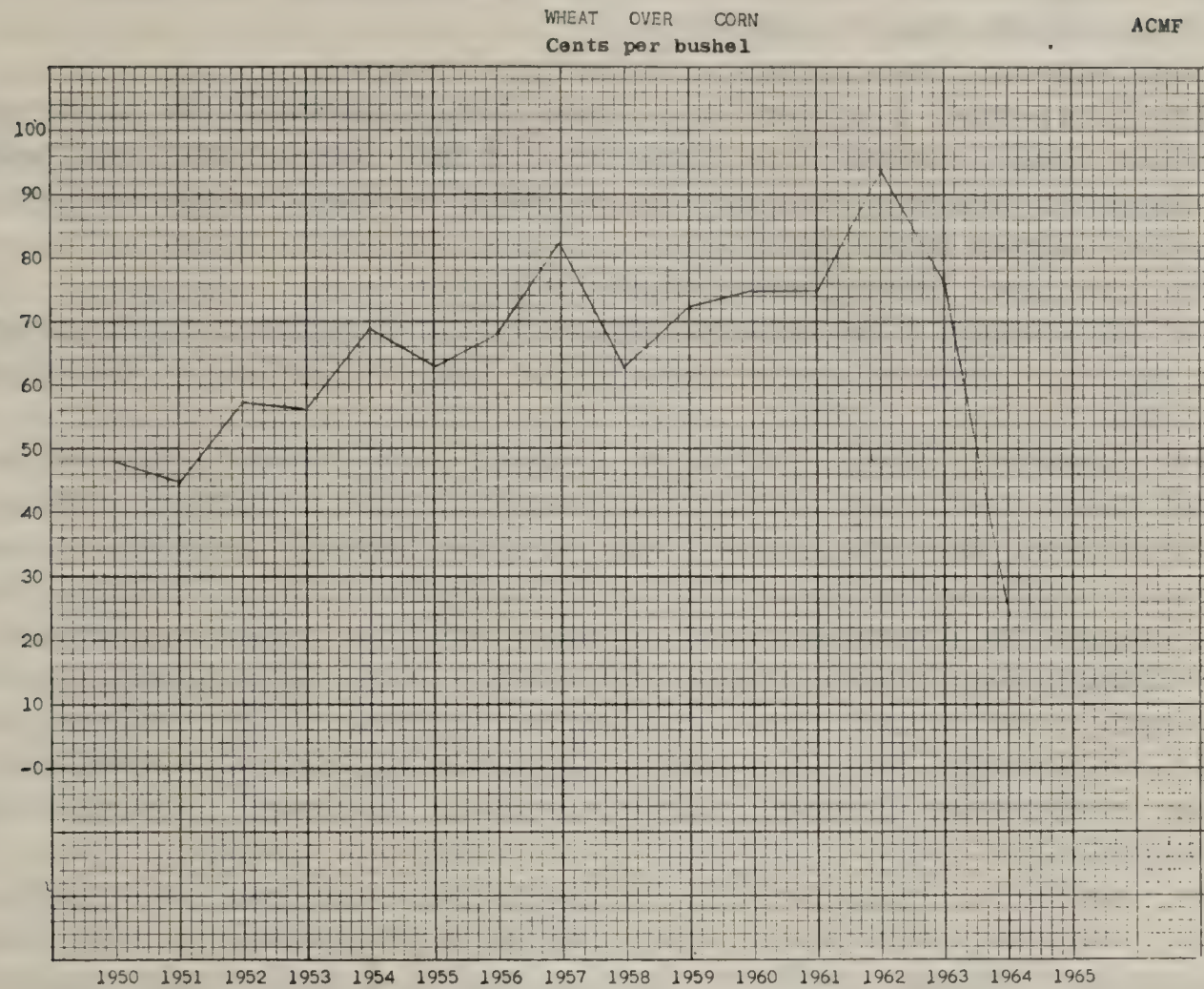
Mr. REDLIN. I am seeking to learn a little bit about the starch thing which seems to be the nub of this thing primarily as far as you gentlemen are concerned. What is the relative value of this starch on the market today? Is this a thing that fluctuates very severely? What is its value related to baking flour, for instance, processing a bushel of wheat and deciding I want to turn it almost all into starch or a great portion of it instead of making baking flour of it?

Mr. LARRICK. You are asking me some questions about the processing of industrial flour that I am not prepared to answer. It is my understanding, however, that the industrial flour is processed primarily to recover the gluten that is contained therein because it is the higher priced product, and that perhaps out of 100 pounds of first and second clears 15 pounds of this gluten may be recovered and maybe 45 pounds of high-grade wheat starch would be recovered. The balance we understand is a processing loss with products that apparently have little or no commercial value. Now if there was a way to build in legislation that would determine that under no circumstances would a wheat mill be permitted to pull off more than 5 percent of their stream as first and second clears and that absolutely this material would all go into industrial processors and it would be further processed into gluten and wheat starch, then, of course, the amount of starch produced therefrom as compared with the total industrial starch used in this country is relatively insignificant. But we submit there is nothing here to contain it, and the starch that is produced from this separation of gluten from starch in industrial clears is a product that may sell for 8, 9, or 10 cents a pound. This is hearsay, so I am not an authority on these prices. But I do know that lots of industrial starches in our products go into markets substantially less than this, and there is no reason why it wouldn't be economically feasible, as I mentioned earlier, to start a wheat mill that would produce nothing but low-, medium-, or high-grade industrial starches. In effect, this would be subsidized by either the taxpayer or the consumer or the farmer if you reduce his certificate value.

As a matter of illustration, I have a couple of charts here with me. Unfortunately I did not bring along copies, but I would be happy to submit them for the record if it would be of value.

Mr. PURCELL. If you would do that it would be adequate. I don't think we would have time to understand them anyway. Just submit them for the record.

(The charts are as follows:)



Mr. BANDSTRA. I take it you don't agree with Mr. Underhill that there would not be competition from the wheat as a product in connection with the starch industry.

Mr. LARRICK. I am sorry. I didn't understand.

Mr. BANDSTRA. I understood from Mr. Underhill, in answer to a question that I asked him, that he did not foresee any competition for the corn milling industry as a result of the change in this law. You don't agree with that?

Mr. LARRICK. I disagree emphatically; yes.

Mr. BANDSTRA. One other statement that I wanted to be clear on. You say that corn is more suitable for the production of starch than is wheat?

Mr. LARRICK. Well, perhaps I gave the wrong impression. I didn't mean to imply such. Obviously, there would be certain industrial uses, perhaps, wherein a various kind of corn starch might be more applicable in a process than some kind of wheat starch. But, in general, I would guess the starches, to a very large degree, are interchangeable in the various processes. No, I didn't mean to imply that cornstarch per se was a better quality product than wheat starch.

Mr. BANDSTRA. No. I mean that corn as a product is more efficient in the production of starch than is wheat. I thought you made that statement.

Mr. LARRICK. I make this statement that if you lower the barriers completely and there were no farm programs and you let the Midwestern farmer produce what he wants, I am merely suggesting that you can't produce starch from wheat in a free and open competitive situation as cheaply as you can from corn merely because we get more bushels of corn——

Mr. BANDSTRA. Isn't that another way of saying that corn is more suitable to the production of starch?

Mr. LARRICK. Oh, yes, I would agree in this context. Yes; absolutely.

Mr. SCHWARTZ. May I make a comment that may help clear the air. It was commented on in our statement but I believe the markets for these products should be explained. In the industrial marketplace they are basically interested in buying a starch product. The dry corn milling industry produces crude starch products from corn using our facilities. The wet refining or wet corn industry produces a pure starch from corn. In the wheat milling industry you have wheat mills that are crude starch wheat starch producers, a common wheat mill, common flour, bread flour, or cooking flour is a high starch source. You also have the wet refining wheat industry which is apparently in trouble at this time. In the marketplace we compete with our crude starch sources, our corn flours we compete with wheat flours for these markets. If the prices of wheat for industrial use are dropped to such an extent, or subsidized in such a way that the net cost is lower than corn, industrial users can use crude wheat starches in many applications. In my opinion, one of our most vulnerable markets would be in the gypsum board and insulation business. We have built up, over the years, a large business in this area where, because of its starch content, corn flours are used as binders in these products. If wheat flours, and I am talking not of clears but of any wheat flour, of patent flour or a blend that would have proper starch equivalent, they could be made

available at a price that would be lower than corn and they are obviously going to steal the market.

Mr. BANDSTRA. One other question. I understood from previous testimony that it is the increase in the price of wheat certificates that has made it necessary to change this particular section of the law. What is your answer to that?

Mr. LARRICK. I guess I don't quite agree with it because we were importing wheat clears and gluten prior to the first year of the wheat program, wherein we had a low loan and a high certificate value.

Mr. COUNIHAN. I can't speak for this industry but I am sure subsequent testimony will show it is the price of wheat clears over the world market over which the corn millers have no control and the corn price program is a part of the problem. Namely, you get the same export certificates on clears because it is a food product, and so held by the Department of Agriculture, as you get on first patent flours. This cuts down the available clears for this industry, the industry that is concerned that you are talking about this morning. This is one of the problems. But I would like to reserve that for them because they will tell this story to you. This is a problem I suppose heightened by the certificate. This is the first reason why I was able to find why the Department has changed its position. I don't know.

Mr. PURCELL. I would like to ask whomever of your group would best like to answer it, whether or not, since the certificate plan is going into effect, your bids have had any appreciable change?

Mr. LARRICK. No, not appreciably.

Mr. PURCELL. Now there has been a great effort made on your part, as I understand it, to imply that your corn is not subsidized. Now you are not sticking to that statement, are you?

Mr. LARRICK. That our purchases of corn is not subsidized? I don't understand your question.

Mr. PURCELL. You are not saying the corn farmer is not subsidized in the United States.

Mr. LARRICK. Not at all; no, sir.

Mr. PURCELL. Thereby you claim you don't derive a benefit because he is subsidized?

Mr. LARRICK. I don't believe I quite understand the question.

Mr. PURCELL. You don't believe the farmer would make what he is making off of it without a subsidy, do you?

Mr. LARRICK. Well, if you want to single out this year alone——

Mr. PURCELL. Any year, several, the last year.

Mr. LARRICK. I would answer in the affirmative. But if you take over the past few years, of course the price of corn would not have been at its level without some sort of Government program a subsidy.

Mr. PURCELL. In fact, your price of corn has been subsidized, has it not?

Mr. LARRICK. You mean we are getting it cheaper because of the Government program?

Mr. PURCELL. Yes.

Mr. LARRICK. Then we get into a matter of interpretation, Mr. Chairman.

Mr. PURCELL. If the farmer is being subsidized, everybody that buys his corn is being subsidized.

Mr. LARRICK. I would not agree that corn has been marketed commercially at a price cheaper than would have been the case had there been no Government program. No, sir.

Mr. PURCELL. You would not say that?

Mr. LARRICK. No, sir. As a matter of fact, I would say it is just the opposite. The Government program itself has created a price higher for corn than would have been the case otherwise, in my opinion.

Mr. PURCELL. You mean to say that the 18 or 20 cents, whatever it is the corn farmer gets for the bushel of corn, he gets paid in cash, would not have reflected itself in some way had he not been getting it and he would have turned it loose?

Mr. LARRICK. If he had everything turned loose in my opinion he would have produced more corn and the price would have been much cheaper.

Mr. PURCELL. They would have gone broke faster than you can count them.

Mr. LARRICK. I can't comment on that.

Mr. PURCELL. I take it that you buy your raw materials for a certain price, then you process them and sell the end product to the consumer, or whomever you sell it to, with your cost added to the raw product and maybe a little profit even put on it. Is that correct?

Mr. LARRICK. That is very debatable many times. We attempt to, yes.

Mr. PURCELL. You would go out of business if you fail to for a long period of time, wouldn't you, unless you figure out some way to help the Government add some money to some other processor system that would keep you in business. Is that not true?

Mr. LARRICK. Once again I am not quite clear on what your question is.

Mr. PURCELL. Well I don't think my question is unclear. I may stumble over the English but I think the intent is pretty clear. No commercial outfit can stay in business without making a little profit, can he?

Mr. LARRICK. That is correct.

Mr. PURCELL. That is all I am asking you. Now there is a great pointmaking in the statement about the taxes put on the consumer for the wheat farmer. Now then, hopefully as far as I am concerned, and I think as far as several others who have something to do with this bill are concerned, the wheat farmer would get close to what we call parity which means in gross terms again that his investment and his effort of all kinds would relate to a like investment that you might have in your line and anybody else in the moneymaking business. Do you find anything wrong with the American farmer being able to get for his product a price which relates to what you are getting for your product?

Mr. LARRICK. No, sir. I would support such an objective.

Mr. PURCELL. Well do you support the certificate plan?

Mr. LARRICK. If this is the only means whereby we can produce wheat which will bring a return to the producer of a fair profit, then I have no argument with it. If I were to devise—well, this is way off the subject. I best not get into it. No, I have no objection at all,

Mr. Chairman, to the farmer receiving full parity of income. Of course not.

Mr. PURCELL. Hopefully, even a corn farmer may receive full parity of income some time. I will tell you now we are working on it and I will strive for it. In the meantime you will pay more for your corn and I want you to know.

Mr. LARRICK. I would guess this would be true. But if we have parity of income for all of these commodities, then we would have no argument with the competitive forces that might be at work.

Mr. PURCELL. Well get ready because I will tell you this. We are going to try to get for the corn farmer a parity of income, too. I don't know how we are going to do it, but it is on the schedule.

Any other questions?

Mr. COUNIHAN. Mr. Chairman, I would like to make a closing statement raised by Mr. Findley earlier. On page 11 of the bill I think the subcommittee and the Department have tried to work out something on wheat processing for donation. The corn milling industry provides in the neighborhood of 500 million pounds of corn for welfare overseas, not domestic. If you have a disparity here for wheat for that donation program with decertification, we would have the same complaint we would have on this industrial decertification, sir. I think this should be looked at. We don't want to go into this now. We know you are pressed for time.

Thank you kindly.

Mr. PURCELL. Now, those of you who are scheduled to testify and have not yet been allowed that opportunity, I am sorry to say to you we are just going to have to go over until tomorrow.

Off the record, please.

(Discussion off the record.)

Mr. PURCELL. On the record. I ask unanimous consent to include in the record a letter dated April 21, 1965, from the National Industrial Products Co.

(The information referred to follows:)

NATIONAL INDUSTRIAL PRODUCTS CO.,
Columbus, Ohio, April 21, 1965.

HON. GRAHAM PURCELL,
*Chairman, Subcommittee on Wheat,
Committee on Agriculture,
New House Office Building,
Washington, D.C.*

DEAR CONGRESSMAN PURCELL: It has come to our attention that the Corn Industries Research Foundation has submitted a statement to your committee relative to the proposed legislation in H.R. 6335. This, of course, also refers to H.R. 7097.

In refutation of Corn Industries Research Foundation's contention, the effects of the wheat bill would be:

1. It would not "create" any industry. The wheat starch industry is over 2,000 years old and was mentioned in the writings of Cato and Pliny the Elder. Cornstarch was not developed until 1843 but by early 20th century it was superseding wheat as it was more economical due to the development of byproducts. (There was virtually no use for wheat gluten at that time.)

2. By the early 1940's wheat was making a strong comeback due to the tremendous job of developing food markets for the wheat gluten. By the mid-forties wheat starch was very competitive with cornstarch due to the tremendous advance in the use of wheat gluten. We developed new uses, new processes and a new future for wheat by solid improvement in technology and development of broader uses. In 1940 there were only two wheat processors with aggregate

gluten sales of about \$750,000 per year. Today there are five processors with aggregate wheat gluten sales alone of about \$10 to \$12 million—and growing. This is scarcely an uneconomic industry. Please study exhibit A and you will see that we are in business despite terrible economic pressure from distorted and artificial disparity between the prices of corn and wheat. If we had had historical (and world) relationships between prices of corn and wheat since 1950, we would be using significantly more wheat today. Give us a normal price relationship and we would dispel any uneconomic ideas.

As an answer for an “uneconomic” industry, it might be interesting to note that several wheat starch-gluten plants have been built and/or developed in the last few years outside the United States. Some are owned by members of the Corn Industries Research Foundation. In other words, given world prices, wheat can dan does compete with or outstrip corn. It is only in the United States that prices are out of balance.

Actually, we want to complete with cornstarch because we need to in order to obtain wheat gluten. However, please examine exhibit A again and you will see that, historically, and during the 1930’s and 1940’s wheat was priced 30 to 45 percent over corn, on the average. Now it is 70 to 80 percent over corn.

Average excess wheat price over corn

	<i>Percent</i>
1930-34-----	37
1935-39-----	43
1940-44-----	33
1945-49-----	26
1950-54-----	43
1955-59-----	70
1960-63-----	79

Wheat will go well over 80 percent under the new wheat bill. Again, look at exhibit A and, considering the “clobbering” we have had due to this unnatural spread in corn and wheat prices, I think you will agree we have done an outstanding job of overcoming terrible handicaps, even to stay in business, developing new products and being so aggressive that the corn wet-millers seem to be worried.

3. The corn wet-millers like to relate entire wheat starch-gluten industry to their cornstarch business. They say nothing about our substantial contribution in the development of wheat gluten which has to meet competition of foreign imports, nor do they mention the fact that cornstarch is only one-fourth (26 percent) of their business. In their public testimony there was dark foreboding that a little help to the wheat starch industry would “decimate” their business. Did they say that starch was only about 26 percent of their entire business, that sugar and syrup amounts to about 39 percent, and feed, oil, meal, etc., 35 percent of this about-to-be-decimated business?

Frankly, wheat starch competes with only 26 percent of their industry and our total capacity is only about 3 percent of the 26 percent part of the corn wet-milling industry. We do not, and cannot, compete with their oil, feed, meal, sirup, or sugar business (74 percent), nor do they compete with our wheat gluten business.

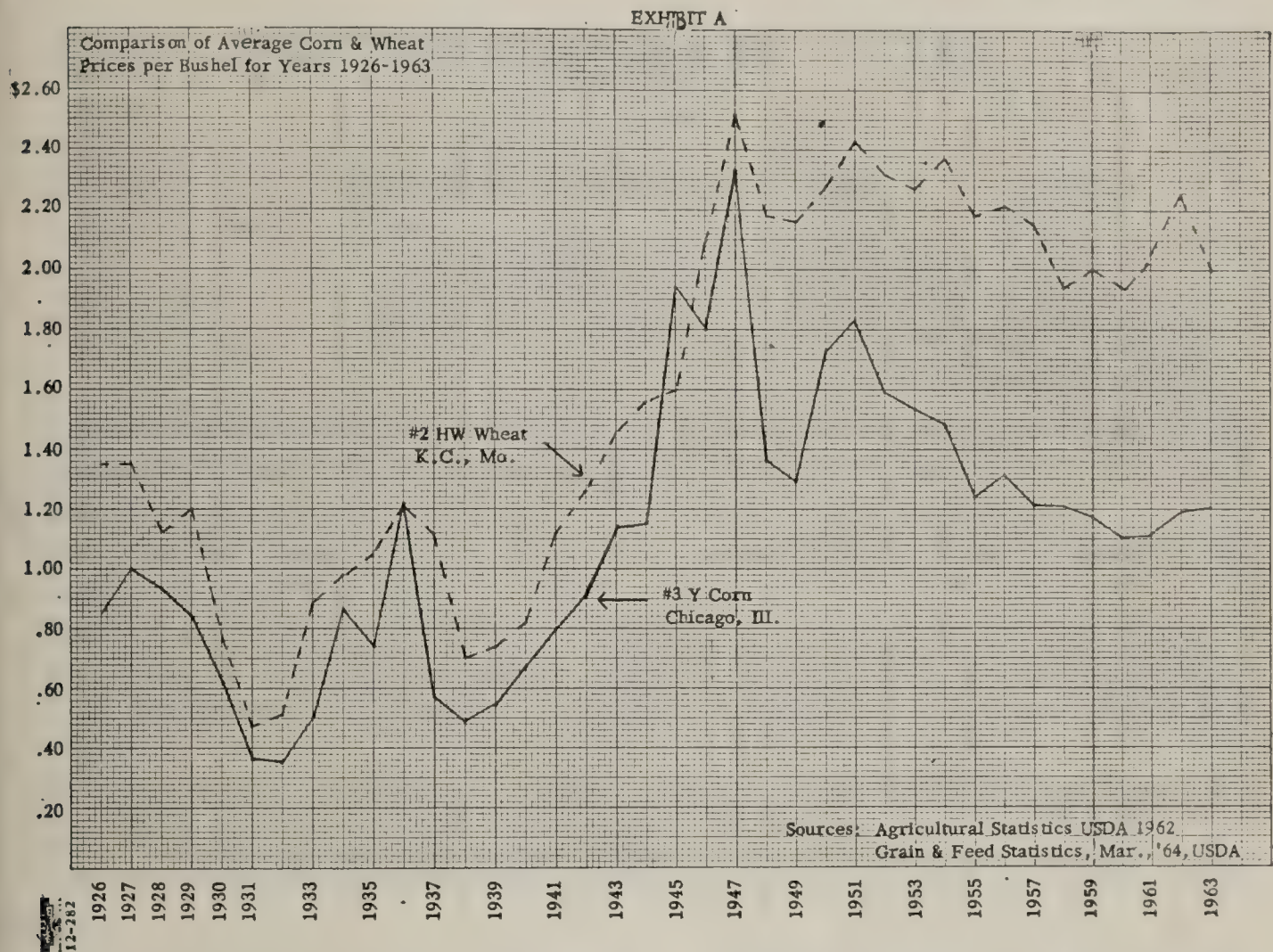
The Federal Government and many States have spent very large sums of money on the industrial utilization of wheat, and our industry has spent many millions on the same idea—and it is working—but continued wheat bill increases will negate those years of work. This proposed wheat bill is another increase in our overall cost even with a nonfood certificate cancellation. However, I believe our company can stand the bill as proposed and fight back for more starch business and more gluten business. I believe this bill will seriously hurt others more food-oriented than we are, as this bill will represent a very substantial cost increase with no chance at a certificate cancellation. Even those who obtain cancellation will still be forced to raise the prices on all products going to food uses. This is dangerous, particularly on gluten, as each price increase drives customers to look at other, inferior types of protein, and with each price increase some percent of business is lost to substitutes or importations of foreign starch or gluten, some of which is produced from wheat exported from the United States under lower or no certificate cost.

Sure, we need help. Look at the record and you will agree that we have been clobbered. I don’t think the “to be decimated” corn wet-millers will agree—they

don't want the competition—even though it is only for a small part of their business.

We certainly appreciate all of the consideration you may give our viewpoint.
Respectfully submitted.

C. J. KURTZ, Jr., Vice President.



Comparison of average corn and wheat prices per bushel for years 1926-63,
Apr. 1, 1965

Year	Corn average No. 2 Yellow at Chicago	Wheat average No. 2 Hard Winter at Kansas City	Percent wheat over corn	Year	Corn average No. 2 Yellow at Chicago	Wheat average No. 2 Hard Winter at Kansas City	Percent wheat over corn
1926	\$0.85	\$1.35	59	1945	\$1.94	\$1.60	-18
1927	1.00	1.35	35	1946	1.80	2.09	16
1928	.93	1.12	20	1947	2.33	2.52	8
1929	.84	1.20	43	1948	1.38	2.19	59
1930	.62	.76	22	1949	1.29	2.16	67
1931	.36	.47	30	1950	1.73	2.28	32
1932	.35	.51	46	1951	1.83	2.43	33
1933	.50	.89	78	1952	1.59	2.32	46
1934	.86	.98	10	1953	1.53	2.27	48
1935	.74	1.05	42	1954	1.48	2.37	60
1936	1.21	1.21	0	1955	1.24	2.18	75
1937	.57	1.11	94	1956	1.31	2.21	69
1938	.48	.70	45	1957	1.21	2.15	78
1939	.54	.74	37	1958	1.21	1.94	60
1940	.67	.82	22	1959	1.17	2.00	71
1941	.79	1.12	42	1960	1.10	1.94	76
1942	.91	1.26	38	1961	1.11	2.05	85
1943	1.14	1.45	27	1962	1.19	2.25	89
1944	1.15	1.56	36	1963	1.20	¹ 2.00	67

¹ Changed to No. 1 Hard Winter at Kansas City in 1963.

Source: Agricultural Statistics USDA 1962 Grain and Feed Statistics, March 1964 USDA.

Mr. PURCELL. We will recess until 10 o'clock tomorrow morning.
(Whereupon, at 12:05 p.m., the subcommittee recessed to reconvene
at 10 a.m., Thursday, April 29, 1965.)

INDUSTRIAL USERS OF WHEAT

THURSDAY, APRIL 29, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WHEAT OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m. in room 1310, Longworth House Office Building, Hon. Graham Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell, Stubblefield, Foley, Bandstra, Callan, Dole, and Findley.

Also present: Representative Dague.

Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimbürger, general counsel, and Robert C. Bruce, assistant counsel.

Mr. PURCELL (presiding). The subcommittee will please come to order.

I believe that Mr. Hellekson is the first witness. We will hear from you now.

STATEMENT OF S. H. HELLEKSON, ASSISTANT GENERAL MANAGER, CELLULOSE AND PROTEIN PRODUCTS DEPARTMENT OF HER- CULES POWDER CO.

Mr. HELLEKSON. Mr. Chairman and members of the subcommittee, my name is S. H. Hellekson, and I am assistant general manager of the Cellulose and Protein Products Department of Hercules Powder Co.

I want to thank you for the opportunity to appear before you today, on behalf of the wheat starch-gluten industry.

Telegrams authorizing me to testify on behalf of every member of the wheat starch-gluten industry will be submitted for the record at the end of my statement.

I am speaking on behalf of industrial processors of wheat flour generally and Hercules Powder Co. in particular because of the effect the proposed wheat legislation will have on the wheat starch-gluten industry. My statement will principally concern itself with the effect of the proposed legislation on operations such as those of Hercules at Harbor Beach, Mich. Mr. Gray, president of Midwest Solvents Co., will present additional information covering its unique position in this industry.

I would like to highlight several points. The Department of Agriculture has already covered in some detail the reason for its concern about the problems facing the wheat starch-gluten industry.

The wheat starch-gluten industry is the only significant user of wheat flour for industrial processing. Other industrial markets for wheat flour, such as in plywood adhesives, use the wheat flour itself as an ingredient, without the flour being processed into other products.

Under the 1964 wheat legislation, a miller must purchase a domestic wheat marketing certificate on all flour sold to the wheat starch-gluten industry, regardless of the nonfood end products we manufacture. The miller, in turn, to recover his costs, must pass this full certificate cost along in the flour price. The full certificate cost is incurred because under the 1964 law "flour" itself is defined as a "food product", regardless of end use.

In contrast to the certificate cost presently borne by the wheat starch-gluten industry on its nonfood end products, other industrial users, using wheat flour, as such, directly in nonfood applications, can purchase flour that has been denatured, and therefore can be milled from uncertificated wheat at a substantially lower price.

In addition, existing legislation does not require a certificate for wheat that is processed directly into a non-human-food product without going through the flour stage. An example of this is the grinding of wheat for use as an ingredient in pet foods.

The 1964 law discriminates, in effect, against the wheat starch-gluten industry. With yesterday's testimony and the statements this industry has submitted, the committee is well aware of the present situation of this industry.

The industry has lost a substantial part of its gluten business to imports and a substantial part of its wheat starch markets, principally to cornstarch. More specifically, domestic markets for vital wheat gluten, the sole outlet for the protein fraction produced by the wheat starch-gluten industry, have been eroded by imports of vital wheat gluten made from world-priced wheat to the point where these imports have taken over about one-fourth of the domestic market. Refined wheat starch markets also have narrowed, and are limited to those end uses where a premium is justified because refined wheat starch's unique properties are preferred over other starches (as in laundry starch and wallpaper paste). Wheat starch production has already shrunk to less than 80 million pounds per year. In contrast, recent growth in cornstarch production has exceeded 5 percent per year and that industry now produces over 6.7 billion pounds of cornstarch per year for sale as such or for use in further processing.

The wheat starch-gluten industry's present situation is very serious. But if this committee changes H.R. 7097's definition of "food products" to require payment of domestic certificate as to all of this industry's end products, including nonfood, the expected increase in certificate costs would add about \$1.15 per hundred pounds to our raw material costs. While those who use flour directly in nonfood products would continue to be able to buy uncertificated flour to the extent they have in the past, the wheat starch-gluten industry would face substantially increased raw material costs. This industry, in effect, would be singled out for destruction.

As one example, with its current raw materials costs, Hercules Powder Co. is losing money on its Harbor Beach, Mich., plant. We have kept this plant in operation because of the impact a shutdown would have on the community and because of hope that some remedy would

be found to correct the inequities we have faced. But, if raw material costs increased another \$1.15 per hundred pounds, we would have no choice but to shut down. Other members of the wheat starch-gluten industry face a similar predicament.

I would like to refer you to page 4 of my statement I have filed.

A change in H.R. 7097's definition of "food products," so as to require payment of full certificate costs on flour going to this industry, would be self-defeating. It would destroy the wheat starch-gluten industry.

This would have a detrimental effect on the public at large. It—

(1) Would come at a time when Congress is appropriating large sums for research to find new industrial uses for wheat;

(2) Would mean—if it is destroyed—that the Government could not collect any certificate payments from this industry;

(3) Would make U.S. users of gluten solely dependent upon foreign imports. The entire gluten market would be replaced by these imports, thus contributing to the dollar drain and the Government's balance-of-payments problem; and

(4) Would cause serious unemployment in several communities.

It is appropriate, therefore, that the proposed wheat legislation (H.R. 7097, sec. 104(b)) does not require certificated flour for use in making nonfood products. This is a great improvement over the current law and we strongly support it. But we believe there are strong grounds for further exemption.

First, many end products of this industry, the result of industrial wet processing, are substantially altered before they go into food. Midwest Solvents Co., for example, converts starch into sugar and ferments the sugar into beverage alcohol. Also, wheat starch has unique properties for certain food uses that should not be taxed out of existence by increases in raw material cost resulting from the certificate requirement. This committee should recognize that if the "food products" definition of H.R. 7097 passes in its present form, which we recommend as a minimum, it would divert virtually all existing food uses of wheat starch to cornstarch (which already has 98.8 percent of the cereal starch markets) and would capture for cornstarch the potential for all future growth in this area.

The corn starch industry has no basis for concern about excluding, from certificate, flour used for all historical products of the wheat starch-gluten industry. If all of the products of the starch-gluten industry were relieved from the certificate cost, corn starch would still retain certain economic advantages over wheat starch. Moreover, wheat starch production would continue to be limited by the quantity of gluten which can be marketed domestically and the U.S. market for vital wheat gluten has leveled off at about 30 million pounds per year. Even if the wheat starch-gluten industry won back all the volume lost to imported gluten, the additional wheat starch produced annually would not exceed 30 million pounds (compared with corn starch production of 6.7 billion pounds). The wheat starch-gluten industry at the most would return to previous levels of wheat flour usage. Consequently, there is no reason, in order to protect corn starch, for applying the certificate costs to the end products of the

wheat starch-gluten processing industry that find their way into food.

These are some of the reasons for not requiring any certificate on flour processed by the wheat starch-gluten industry, regardless of product end use. But even if the end use distinction of H.R. 7097 is to be followed, the unique wheat protein product made by this industry—vital wheat gluten—should get separate attention. The world market price of wheat flour permits the foreign gluten producer to ship his product to this country at a lower price than it can be produced in this country from wheat flour bearing the present certificate cost. H.R. 7097 will increase the differential between United States and world flour prices. This will lead to greater inroads by imported gluten into the U.S. market. Further loss of domestic vital wheat gluten markets to imported products, which have already captured about one-fourth of the U.S. markets, would lower even further wheat flour usage by the starch-gluten industry.

It is suggested, therefore, that whenever American usage of wheat flour is seriously affected by wheat product imports, the Secretary of Agriculture be granted the power to exempt from certificate, in whole or part, wheat flour that is processed into products competing with these imports. Possible language for such a provision is as follows:

Amend section 104(a) of H.R. 7097 dated April 5, 1965 (amending sec. 379d(b) of the Agricultural Adjustment Act of 1938, as amended) by inserting, immediately after the sentence ending on line 18, page 11 of H.R. 7097, the following sentence: "Whenever the Secretary finds that any component derived from wheat flour is being or is practically certain to be imported into the United States under such conditions and in such quantities as to reduce substantially the amount of such component produced in the United States from domestic wheat flour or to threaten producers of such component with substantial economic injury, he may exempt in whole or part from the requirements of this subsection wheat which is processed into such flour."

To sum up: I hope I have made it clear that if the definition of "food products" contained in H.R. 7097 be changed to include the "nonfood products" made by the wheat starch-gluten industry, as some members of the cornstarch industry have urged, the cornstarch industry, instead of enjoying its present 98.8 percent of cereal starch markets, will have 100 percent of these markets and all future growth potential in these markets as well. We cannot believe this result will serve the farmer or the American public or that it will be tolerated by Congress.

On the other hand, while we recommend that the definition of "food products" contained in section 104(b) of H.R. 7097 be approved as a minimum step, we believe that it does not go far enough and that no certificate should be required on flour sold to the wheat starch-gluten industry.

Thank you again for the privilege of speaking on this subject. I will be glad to attempt to answer any questions that you may care to ask.

Mr. PURCELL. We thank you.

(The following telegrams were submitted by Mr. Hellekson:)

APRIL 27, 1965.

HON. GRAHAM PURCELL,
*Chairman, Wheat Subcommittee,
House Committee on Agriculture:*

This is to authorize Mr. S. H. Hellekson, of Hercules Powder Co., to present testimony on our behalf as a member of the wheat starch-gluten industry before the Wheat Subcommittee on the House of Representatives Committee on Agriculture with reference to H.R. 7097 and to the definition of food products contained in that bill which we support.

J. M. WOLF,
Wheat Products Co.

APRIL 23, 1965.

HON. GRAHAM PURCELL,
*Chairman, Wheat Subcommittee, House Committee on Agriculture, Washing-
ton, D.C.:*

We have read the proposed testimony of Mr. S. H. Hellekson, of Hercules Powder Co., for presentation to the subcommittee of the House Committee on Agriculture and are in full accord with and urgently support it. We authorize Mr. Hellekson to make this presentation as a member of the wheat starch-gluten industry.

C. J. KURTZ.

APRIL 28, 1965.

HON. GRAHAM PURCELL,
*Chairman, Wheat Subcommittee, House Committee on Agriculture, Washing-
ton, D.C.:*

This is to confirm that Hercules Powder Co., has been authorized to present views of Midwest Solvents Co., Inc., as a member of the wheat starch-gluten industry at the hearing to be held on April 28 before the House of Representatives Subcommittee on Wheat. In addition, I will make a statement emphasizing our strong support for exemption for wheat products which are further processed after milling having both food and nonfood uses.

CLOUD CRAY, JR.,
President, Midwest Solvents Co., Inc.

APRIL 27, 1965.

WILLIAM GORDON,
General Mills.

DEAR SIR: Please accept this confirmation of our positive position in support of the provisions of section 104, H.R. 7097, as it pertains to certificate exemption for nonfood products. This position will be explained by Hercules Powder Co. in your hearing of April 28.

Please also note our support for additional exemption for wheat products which undergo substantial further processing after milling to new products having both food and nonfood uses.

HERCULES POWDER CO., INC.
SEWALL D. ANDREWS.

Mr. DOLE. I will refer back to a statement made yesterday by Mr. Underhill of the Department of Agriculture on page 5 of his statement where he said that this legislation would, in effect, and I quote him, "equalize the two industries insofar as nonfood uses are concerned.

Do you concur in that statement by Mr. Underhill—talking about the millers and others?

Mr. HELLEKSON. I do not agree that this section 104(b) would price wheat flour as such to make the wheat starch market equal in cost to the cornstarch market—no, sir; I do not agree to that. I do

agree that the relationship between wheat and corn would be brought back to the pre-1947 level.

Mr. DOLE. In its present form, if we adopt the language now in the bill, do you think that this would be an unfair advantage to your industry?

Mr. HELLEKSON. No, sir; I do not.

Mr. DOLE. Do you think that it would equalize the advantages insofar as cornstarch is concerned?

Mr. HELLEKSON. This is difficult to answer in that our industry varies in its potentials for exemption. We have one member of the industry who would receive practically no exemption and it is certainly not equalizing it for him, because he will be obligated to pay a higher net certificate cost when the certificate goes up to \$1.25 than he is paying today.

We have others who are at the other end of the spectrum where a good portion of their product goes into nonfood use, and they would, of course, be in a better position to compete in the marketplace with section 104(b) in effect.

Mr. DOLE. The point that I make is that I certainly do not want to participate in anything that might penalize any one industry, but, if it can be adopted without penalizing others, this is a point we must consider.

Mr. HELLEKSON. Yes. It is our opinion that section 104(b) will not put us in a preferred position. I think this is what you are asking.

Mr. DOLE. The charge is made that you are being subsidized, but I think that it is also pointed out in Mr. Underhill's statement, and again I quote, a sentence on page 5, that the difference is that corn millers purchase at what we might call the world price and that the flour mills must pay up to \$1.25 per bushel over the world price to produce wheat if the flour is to be used in the domestic market, and he goes on in the statement to say that this legislation equalizes the industry so far as nonfood users are concerned.

Mr. HELLEKSON. I agree with the statement that we would, so far as nonfood uses are concerned, Mr. Dole—that we would come closer to getting enough flour at world prices, yes, sir.

Mr. DOLE. That is all. Thank you.

Mr. PURCELL. Mr. Callan?

Mr. CALLAN. No questions.

Mr. PURCELL. Mr. Bandstra.

Mr. BANDSTRA. I have a few questions. I am not quite sure what the difference is between wet wheat milling and dry milling. Is it a fact that one makes beer and the other one does not—is that the difference?

Mr. HELLEKSON. The dry milling wheat industry is the traditional flour mill. They make flour and byproducts of feed.

We process flour to make derivatives of flour by a wet milling process. We do not handle wheat as such. We buy flour from the miller.

Mr. BANDSTRA. You transform the flour into something else, then?

Mr. HELLEKSON. We transform the flour into derivatives, yes.

Mr. BANDSTRA. Such as what?

Mr. HELLEKSON. Laundry starch, wallpaper paste, vital wheat gluten, things of this nature.

Mr. BANDSTRA. Is that particular part of your operation competitive with the cornstarch industry?

Mr. HELLEKSON. The cornstarch industry does not market a vital gluten. It is not obtainable from corn. So there is no interference in the marketplace at all between wheat and corn as to the protein fraction—the gluten.

The starch fraction we sell into premium markets. I think I mentioned laundry, sizing, and wallpaper paste—where we get a premium for this material because our costs are substantially higher. But here again I should point out to you that the volume of this starch that we can generate is restricted by the amount of protein that we can market and the protein market today is stagnant.

Mr. BANDSTRA. Do you export anything in connection with the products that you produce?

Mr. HELLEKSON. No, sir; we actually import some of our products.

Mr. BANDSTRA. I see. You export nothing?

Mr. HELLEKSON. We export nothing from this industry.

Mr. BANDSTRA. How many of these wet milling establishments are there in the United States?

Mr. HELLEKSON. Five.

Mr. BANDSTRA. Five altogether?

Mr. HELLEKSON. Yes.

Mr. BANDSTRA. Where are they located?

Mr. HELLEKSON. In Colorado Springs, Colo.; Atchison, Kans.; Columbus, Ohio; Minneapolis, Minn.; and Harbor Beach, Mich.

Mr. BANDSTRA. I think one of the problems here in this particular amendment is a balancing of the equities, and I agree with Mr. Dole in that regard, that we do not want to penalize anyone, nor do we want to give anyone a particular advantage. But I am interested in whether or not, if we change the law at this particular time, it will increase the domestic utilization of wheat.

Mr. HELLEKSON. We would expect that it would increase the domestic utilization of wheat to the extent of replacing the imported gluten, displacing it in the marketplace, which would be 25 percent of the market today. There would be an increase in wheat usage of one-third from where it is today by this industry.

Mr. BANDSTRA. But I understood, from the testimony we heard yesterday, that we imported both the gluten and the clears.

Mr. HELLEKSON. Gluten is imported and sold as such in competition with our domestic industry. That is correct.

Clears are imported by this industry as a raw material in preference sometimes to the domestic flour, because of the price.

Mr. BANDSTRA. If you are going to use the domestic wheat you cannot get the gluten without the clears, or the other way around, can you, like one of the gentlemen suggested, when you buy the hog—you buy with the squeal and everything else—it is all in one package?

Mr. HELLEKSON. Yes.

Mr. BANDSTRA. So that if you are going to utilize more of the domestic wheat you are going to have problems of the byproducts, if that is the proper word, with whatever else you get out of the product—you are still going to import clears, I take it.

Mr. HELLEKSON. No, sir; I do not think that there will be any clears imported if this relief is given under this legislation. It will

not be attractive to import them. The clears are the raw material for this industry. The clears are the flour that is used by this industry. They are not a product of the industry.

Mr. BANDSTRA. But my point is if you are going to use more domestic gluten, you will have some byproducts, and you will have a surplus of flour, in connection with the process in obtaining this gluten, will you not?

Mr. HELLEKSON. I had better back up for you, then. We purchase flour from the wheat miller and we utilize this flour as a raw material to make two primary coproducts. Let us call them wheat starch and wheat gluten. These are the products we sell in the marketplace.

When we spoke of buying clears we were talking then about buying clear flour from Canada because of the price advantage over the domestic flour.

Mr. BANDSTRA. And you are able to buy their flour at an economic advantage at this time?

Mr. HELLEKSON. At this time.

Mr. BANDSTRA. Over domestic wheat—is that what you were saying?

Mr. HELLEKSON. Yes, sir; but with this relief we would not expect this condition to exist. With this relief on domestic wheat prices, the wheat flour prices.

Mr. BANDSTRA. You do not import wheat from Canada—that is not the problem?

Mr. HELLEKSON. We import the flour itself; yes.

Mr. BANDSTRA. Are the words “clears” and “flour” interchangeable?

Mr. HELLEKSON. “Clear” is a type of flour, a clear flour.

Mr. BANDSTRA. I still think that if you would use the domestic wheat you would have some problems with some of the byproducts—you will still have too much gluten or clear flour, either one.

Mr. HELLEKSON. When we process the flour, the clear, we make gluten and we make starch, coproducts. The value of these two components is about equal. The dollar value per hundredweight of flour processed is about equal. We are limited in our market by the demand for the vital wheat gluten which today is 30 million pounds a year. We market the accompanying starch.

Mr. BANDSTRA. Pardon me?

Mr. HELLEKSON. We market the accompanying starch—the coproduct starch, in that relationship we are not at liberty to make only gluten or only starch. They come together.

Mr. BANDSTRA. They come together?

Mr. HELLEKSON. Yes; so the increased usage that we are talking about here of wheat stems from two sources: Stopping the importation of Canadian flour and stepping up the overall flour consumption by this industry to make flour consumption by this industry to make that amount of gluten that is presently being imported.

Mr. BANDSTRA. Thank you. That is all.

Mr. PURCELL. Mr. Stubblefield?

Mr. STUBBLEFIELD. Do you buy all of your clears from Canada?

Mr. HELLEKSON. No, sir; we do not buy all of them from Canada. We buy a relatively small percentage. The availability, of course, is very limited, since their flour production is substantially less than

ours—less clears available. There is a processor of clears in Canada who has first call on this material.

Mr. STUBBLEFIELD. Thank you.

Mr. PURCELL. What is the factual relationship between the imported clears from Canada and the domestic price, that is, the relationship as to the price of the imported clears from Canada and the domestic price, as of last year—what was the difference in price?

Mr. HELLEKSON. Mr. Chairman, the differential has not been large. It has been 30 or 40 cents a hundredweight for comparable quality clear. Now I have to tell you as to our situation, delivery to our plant at Harbor Beach, Mich. I am sure that others farther south have found no advantage in buying Canadian clears because of the freight cost.

Mr. PURCELL. What difference, if any, have you found in the price of clears in the wheat program under the existing plan, and the price that you were paying before the certificate plan went into effect?

Mr. HELLEKSON. Practically no difference, Mr. Chairman.

Mr. PURCELL. Are clears coming into the United States other than from Canada?

Mr. HELLEKSON. Not to my knowledge; no. The vital wheat gluten is, but not the flour.

Mr. PURCELL. With respect to your end product, are you saying vital wheat gluten—I do not know what that is.

Mr. HELLEKSON. Vital, v-i-t-a-l—vital wheat gluten.

Mr. PURCELL. What percent of your end product is in vital wheat gluten and in the other starch products—whatever you make?

What I am trying to get at is as to last year—what ultimate use was there for human use and what percent was there for other uses?

Mr. HELLEKSON. I was speaking now for Hercules Powder Co., because here again I must warn you that the different members of the industry have different sales patterns.

Mr. PURCELL. I realize that.

Mr. HELLEKSON. Ours is less than one-half going into the food, that is, the human food market. It is of the order of 40-some-odd percent.

Mr. PURCELL. That goes into human food?

Mr. HELLEKSON. That goes into human food either as vital wheat gluten or as edible wheat starch.

Mr. PURCELL. Just for the record and for my own edification, what do we use vital wheat gluten for, from the human standpoint?

Mr. HELLEKSON. The baker uses it as a tool to increase the protein content of the flour that he utilizes in his bakery. And his reason for adjusting the protein content is to get texture, loaf volume, physical characteristics in his bakery product.

Mr. PURCELL. And the baker would rather have a flour—a baking flour product with the vital wheat gluten out, and then he puts it back in at his own percentage which he thinks best, is that correct?

Mr. HELLEKSON. I am searching my memory whether this is done. No; the gluten is used in conjunction normally with wheat flour, not wheat starch, in order to raise the protein level up beyond the normal level that is in the flour and by doing this he gets characteristics in his bread and so forth that he finds attractive.

Mr. PURCELL. Is the flour that he is using such that has had this product removed from it?

Mr. HELLEKSON. No.

Mr. PURCELL. Or is he supplementing it?

Mr. HELLEKSON. He is supplementing the run-of-mill flour from the miller.

Mr. PURCELL. And some other miller may have more of that within his product because it is refined in a different way—it varies—the vital wheat gluten varies?

Mr. HELLEKSON. Yes, that is right.

Mr. PURCELL. Mr. Heimbürger, do you have any questions?

Mr. HEIMBURGER. Yes, Mr. Chairman, I do have some questions that I would like to ask of the witness.

Would your industry be able, Mr. Hellekson, to use clears or flour merely for the purpose of making starch? In other words, is your starch production in effect limited by the amount of wheat gluten you can sell or can you economically use wheat flour just to make starch and throw the gluten away?

Mr. HELLEKSON. We cannot use wheat flour in our process to make starch only. One-half of the sales dollars that come in for every hundredweight of flour that we process comes from the gluten fraction. So, obviously, we must sell both coproducts. Unfortunately, from our viewpoint the marketability of the gluten is very restricted.

Mr. HEIMBURGER. In other words, then, the extent of your competition on the starch market would be limited for all practical purposes by the amount of gluten that you sell?

Mr. HELLEKSON. This is correct.

Mr. HEIMBURGER. Mr. Chairman, may I, rather than ask him another question, make a bit of a statement here?

Mr. PURCELL. Yes.

Mr. HEIMBURGER. This problem did not arise with the wheat certificate legislation, as I am sure the chairman well knows, and the other members of the committee do, too. This is a problem which has existed for a long time which arises basically from the fact that the Department of Agriculture considers wheat clears, which are in effect a byproduct of the manufacture of patent flour, to be flour for export purposes and not to be flour for import purposes. They have subsidized wheat clears at the full subsidy level for export purposes, in spite of the fact that it is a byproduct, and in spite of the fact that the export of wheat clears, probably, does not add 1 bushel to the amount of wheat which is milled for flour in the United States. If it could not be exported probably most of it would be sold for feed purposes.

Mr. Underhill in a previous appearance before this committee testified that clears were a byproduct of the manufacture of patent flour which is the white flour which our consumers prefer. So really all we are trying to do here, Mr. Chairman, is to patch up, by legislation, a conflict in the administrative position in the executive branch which has existed for a long time. Clears are regarded as flour for export purposes and they are not regarded as flour for import purposes. And this I am not sure that the committee can settle in new legislation, but this is the basis of the problem that we find ourselves confronted with.

Mr. BANDSTRA. That is the question that I have in mind. How can we sell domestic wheat which I thought that we were setting out to

do, so long as there is an export subsidy for clears? We export the clears and then we turn around and import them from some other country. Would that not be exactly what is happening?

Mr. HEIMBURGER. I do not quite understand your question.

Mr. BANDSTRA. I understand there is an export subsidy for flour.

Mr. HEIMBURGER. There is an export subsidy. Clears are regarded as flour for export purposes. And my understanding is that in recent periods about one-half of our so-called flour exports have, in fact, been clears which would have been sold as feed otherwise had they not been able to be exported.

Mr. BANDSTRA. It is no wonder that we import clears from Canada. We are in a better position to buy it from them, rather than selling them the domestically produced clears because we would have the export subsidy. Would we be in a better position to do it otherwise?

Mr. HEIMBURGER. Yes, of course.

Mr. BANDSTRA. This is exactly the crux.

Mr. HEIMBURGER. Yes. This is the basis of the problem that the export of clears has provided an outlet for this commodity which has tended to keep the price of clears in the United States substantially above what it would have been otherwise. Mr. Underhill testified to this. And he said that the reason for the export subsidy was because certain flour mills in certain parts of the United States would have trouble disposing of their clears if they did not provide an export subsidy for them. It becomes really complicated.

Mr. BANDSTRA. I am just wondering. I cannot quite see it. As long as the export subsidy is on the domestic clears, which it is——

Mr. HEIMBURGER. That is right.

Mr. BANDSTRA (continuing). We will continue to import clears, even though we make this change in the law; is that right?

Mr. HEIMBURGER. No, I would not say that.

Mr. HELLEKSON. No.

Mr. HEIMBURGER. I would not say that it necessarily would follow. It is purely a price situation. And as Mr. Hellekson said, it might be advantageous for his plant in Michigan to import clears from Canada and it might not be to the advantage of any other plants in the United States to do so because of the freight differential.

Mr. STUBBLEFIELD. What is the import duty on clears from Canada?

Mr. HELLEKSON. The point is that it is 20 percent—I know that it is 20 percent on gluten.

Mr. STUBBLEFIELD. What is the certificate?

Mr. HEIMBURGER. The export subsidy is the same on flour—whatever that is at present—perhaps somebody here can tell us.

Mr. STUBBLEFIELD. The point is that the grain merchant is encouraged to export, rather than to sell on the domestic market.

Mr. HEIMBURGER. That is correct.

Mr. STUBBLEFIELD. And the export market is made more profitable.

Mr. HEIMBURGER. That is the way it has worked.

Mr. STUBBLEFIELD. It encourages the Hercules Powder Co. to import clears, rather than to buy them here in this country.

Mr. HEIMBURGER. They do that only because the export subsidy has moved out enough clears so that the price of the clears in the United States is higher than it otherwise would be. Otherwise they would, of course, buy domestic clears, I would assume.

Mr. HELLEKSON. May I try to clarify this thing? With certificate relief on clears there would be no incentive for us to buy Canadian material, because the differential afforded by the certificate relief would exceed any advantage that we are now enjoying from Canadian material.

Mr. HEIMBURGER. Just one other question, Mr. Chairman, that I would like to ask Mr. Hellekson. He covered this in his testimony, but I want to be sure that it is clearly on the record. With the additional 50 cents or the equivalent of 50 cents a bushel on wheat that is represented by the increased value of the certificate contemplated in the legislation, do you anticipate that you will be able to continue to use wheat clears for your manufacturing purposes?

Mr. HELLEKSON. The additional certificate?

Mr. HEIMBURGER. Yes.

Mr. HELLEKSON. No, sir, we cannot do this, with the additional cost of the certificate. We are losing money now and we would not have to wait until July 1966 for this new program to go into effect to make our decision. I can make the decision right at the moment that the law is passed.

Mr. PURCELL. Mr. Findley.

Mr. FINDLEY. Mr. Hellekson, I am hopeful that we will work out some kind of a compromise that will be fair to all parties. You have made it clear, I think, for good reason, that if you had to pay the full \$1.25 per bushel for the certificate that you could not operate. Could you remain in business if the certificate cost is 70 cents?

Mr. HELLEKSON. Congressman Findley, I can only answer for Hercules Powder Co. on this. Maybe we are in a unique position. My answer would be "No," as I have stated in my testimony. We are losing money and have lost money for several years at the existing flour prices, hoping that relief would be afforded by some means on the price of the raw material. If we are frozen at the 70-cent certificate level and this is all we have to look forward to, I think that we will finally give up. I am speaking only for Hercules Powder Co. I cannot speak for the other members.

Mr. FINDLEY. This problem was here prior to this time.

Mr. HELLEKSON. Absolutely.

Mr. FINDLEY. Can you give us an idea what certificate price would enable you to continue to operate?

Mr. HELLEKSON. We feel very strongly that we should be able to get flour at the world price.

Mr. FINDLEY. And that would be what?

Mr. HELLEKSON. Well, today it would be \$2 off the domestic price, the subsidy at the moment, until the middle of June, which is \$2 a hundredweight on flour, give or take a couple of cents.

Mr. FINDLEY. The outlook for wheat is that the market price will be around \$1.25, when the certificate is \$1.25. At the time it goes into operation we will probably have \$1.25 domestic wheat and the world price, presumably would be somewhat higher?

Mr. HELLEKSON. That is our assumption.

Mr. FINDLEY. Thank you.

Mr. PURCELL. Do you have another question?

Mr. HEIMBURGER. Not of this witness, Mr. Chairman, but if there is anybody here from the Department of Agriculture on this same

subject that we have been talking about, I would like to ask a question of them.

Mr. PURCELL. Is there anyone here from the Department of Agriculture dealing with this subject?

If so, come right up here. Mr. Underhill, will you come forward?

Mr. FINDLEY. Could I ask one more question of Mr. Hellekson?

Mr. PURCELL. Yes.

Mr. FINDLEY. You have stated that you think that you should be able to buy at the world market price. Is the world market price about \$1.50 a bushel? Would that enable you to stay in business if you could buy wheat at that price?

Mr. HELLEKSON. If we could buy flour based on wheat at \$1.50 a bushel, yes.

Mr. FINDLEY. And translated into certificate value what about that?

Mr. HELLEKSON. Well——

Mr. FINDLEY. If I could make a wild guess, you could afford to pay 25 cents for the certificate, then?

Mr. HELLEKSON. Yes.

Mr. FINDLEY. And the domestic price were at \$1.25?

Mr. HELLEKSON. I can give you a rough idea about our economics, and that is that we are losing a moderate amount of money at the 70-cent certificate level. You are trying to corner me here on where the break-even point is.

Mr. FINDLEY. Perhaps we could reach some kind of a compromise on that.

Mr. HELLEKSON. Right.

Mr. FINDLEY. Thank you.

Mr. HEIMBURGER. Mr. Underhill, I was a little shaken yesterday by your response to my question as to whether or not the importers of vital wheat gluten had to buy an equivalent marketing certificate, and I do not understand yet the legality or the logic of your answer that no, they did not. The law reads:

During any marketing year for which a wheat marketing allocation program is in effect (i) all persons engaged in the processing of wheat into food products shall, prior to marketing any such food products or removing such food products for sale or consumption, acquire domestic marketing certificates equivalent to the number of bushels of wheat contained in such product and (ii) all persons exporting wheat shall prior to such export acquire export marketing certificates equivalent to the number of bushels so exported.

Now, if the vital wheat gluten is a food product for certain purposes when it is manufactured domestically, why is it not a food product for certain purposes when manufactured in other countries?

STATEMENT OF WINGATE UNDERHILL, SPECIAL ASSISTANT TO THE SECRETARY, U.S. DEPARTMENT OF AGRICULTURE

Mr. UNDERHILL. It is certainly a food product when manufactured in some other country. And certainly a food product when it comes into this country but it was not my impression that we had any authority, though, under the law to require a certificate to be purchased for food products that are processed in a foreign country and brought into this country in that state.

Mr. HEIMBURGER. I assume that your legal department has rendered an opinion on that.

Mr. UNDERHILL. Our legal department's representative is here and if I am wrong on this I hope that he will correct me.

Mr. HEIMBURGER. Mr. Chairman, I do not want to pursue this too far. I know you have many other witnesses here.

Mr. PURCELL. I think it is important.

Mr. HEIMBURGER. I want to raise this question. This is one of the anomalies of this situation that has created this problem—certain wheat products are regarded as flour or food when they are exported, and they are not regarded as flour or food when they are imported and I think that the executive branch ought to get together on this thing.

**STATEMENT OF ROBERT M. BOR, OFFICE OF GENERAL COUNSEL,
U.S. DEPARTMENT OF AGRICULTURE**

Mr. BOR. My name is Robert M. Bor and I am from the Office of General Counsel of the Department of Agriculture. In answer to Mr. Heimburger's question, the statute governing the wheat certificate program provides for the acquisition of certificates by persons engaged in the processing of wheat. In the case that you referred to, the processing of wheat occurred in Canada, rather than in the United States. What occurred in the United States is that somebody acquired a product of wheat and further processed this product into additional products. For that reason the regulations of the Department do not provide for the acquisition of marketing certificates by persons who processed imported clears into vital wheat gluten.

Mr. HEIMBURGER. The statute does not say anything about all persons engaged in the processing of wheat in the United States. It says all persons engaged in the processing of wheat to be sold for food products in the United States shall before they sell such products acquire certificates.

Mr. BOR. Well, the statute provides that all persons engaged in the processing of wheat into a food product—

Mr. HEIMBURGER. Excuse me. I am not talking about the importation of clears—I am talking about the importation of vital wheat gluten which the Department rules is a food product, with which ruling I do not disagree, but if it is a food product when manufactured in the United States it is a food product when manufactured in Japan.

Mr. BOR. I have no argument with the statement that it is a food product, Mr. Heimburger, but the problem is that the statute applies to persons who are engaged in the processing of wheat into food products. The processing that occurs in this country on the imported clears is not the processing of wheat into a food product but rather the processing of a food product into additional food products.

Mr. HEIMBURGER. I am sorry, Mr. Bor, I think that you are still evading the question as to whether or not the importer of vital wheat gluten should be required to buy certificates and there is no point in pursuing this any further. We have raised the question.

Mr. STUBBLEFIELD. I would like to ask one short question. Are distilled spirits a food product?

Mr. BOR. Yes, sir; they would be.

Mr. STUBBLEFIELD. Distilled spirits are a food product?

Mr. BOR. The act defines food products to include a beverage manufactured from wheat and distilled spirits is a beverage manufactured from wheat.

Mr. STUBBLEFIELD. Thank you.

Mr. PURCELL. Thank you. All right.

Mr. HEIMBURGER. Thank you, Mr. Chairman, and thank you Mr. Bor.

Mr. PURCELL. Our next witness is Mr. Cloud L. Cray, president of the Midwest Solvents Co., Inc., Atchison, Kans.

**STATEMENT OF CLOUD L. CRAY, JR., PRESIDENT, MIDWEST
SOLVENTS CO., INC., ATCHISON, KANS.**

Mr. CRAY. Mr. Chairman and members of the subcommittee, as suggested yesterday, I did file my statement with the subcommittee, but because of my peculiar position at this hearing I would like to reemphasize certain portions of my testimony and I would think that perhaps Mr. Stubblefield's question might be more clearly answered, also, by the time I am through.

Actually, we are appreciative of the sympathy shown of the problems of our starch and gluten industry by the Department of Agriculture as represented in their testimony yesterday. However, unfortunately, the way the proposed bill is now written my industry, which has been using an appreciable quantity of wheat and wheat products for many years is entirely eliminated. And my testimony indicates that we are very large users of wheat clears, having used in excess of 8 million bushels of wheat equivalent over the past several years, and in addition in excess of 1 million bushels of damaged wheat. I am not going to read the section, because it has been well read in previous statements, but I would like to point out that it does include in the words just mentioned, "beverage," and this does include my company, even though we do not produce a beverage as such, but because of the material that we produce which is the chemical ethyl alcohol, eventually, through additional dilution and processing it does find its way into the beverage field. There is no question about that. Alcohol must be used in the beverage field because industrial alcohol from cereal grain products cannot compete with the synthetic source of ethyl alcohol from petroleum. This one section of the law has eliminated our ability to use wheat or wheat products for alcohol production, and we want to tell you why.

We are virtually the only users of wheat or wheat products in the spirits industry and I might add that in all of our dealings with the Department of Agriculture or in hearings of this nature in the past we have never had anyone come forward as the corn millers have done yesterday in the testimony they offered, to criticize our use or accuse us of competing with anyone in the United States on wheat or wheat products in the production of spirits.

My testimony indicates that we have purchased 93.5 percent in the last 6 months of 1964, 96.6 percent of all the wheat and wheat products used in the entire beverage industry. So, as I say, we are virtually the only user for this purpose.

The committee might also want to know that only 2 percent of the entire grain usage in the beverage spirit use consists of wheat and

wheat products. Here we are not talking about a considerable usage in this field.

I would like to refer you here to my testimony on page 3 of my prepared statement.

It is obvious, from these figures, that wheat has no inherent value in beverage alcohol or spirits production. For example, there is no special beverage made therefrom. In the production of alcohol, our chief interest is in removing all tastes and odors of the original grain so that, in effect, beverage alcohol is exactly the same, whether it is produced from corn, rye, malt, milo or, as a matter of fact, potatoes. Wheat actually has less starch in it than do most of the cereal grains and, as a result, we can only obtain approximately 4.8 proof gallons of alcohol from a bushel of wheat, whereas a bushel of milo or corn produces approximately 5.2 proof gallons. Obviously, from an alcohol standpoint, wheat is not as good a raw material as many of the other cereal grains.

The thing that particularly bothers me about this is that in our processing of the wheat it is industrial utilization of the purchases, because in converting the wheat starch to sugar, and then to alcohol, we are entirely changing the original characteristics of the wheat. As I point out in my statement we are enabled to use wheat or grain that has been so damaged that it cannot be used for any other purpose, even for feed value for cattle, but by our industrial utilization it is such that we can take the starch that remains and process it into a usable product and we have done this to the benefit of many farmers and warehousemen over the years.

The even more serious results of the language of the present legislation is that it affects the members of our starch gluten industry differently and on a basis that is unrealistic in view of the extensive industrial processing our food end products have undergone. A company, for example, that has been fortunate enough in its past sales to emphasize disposal or nonfood starches will, according to my calculations, obtain 80 to 85 percent exclusion of certificate costs.

If, on the other hand, another company has developed all markets, food use as well as nonfood use—and by the way, the economic difference between these two products in the marketplace is very small indeed—he will then obtain only 40 to 45 percent certificate exclusion. However, Midwest Solvents Co., who has made the greatest overall change in the original wheat through industrial processing, will obtain, according to my calculations, less than 15 percent exclusion.

I believe that the coproducts argument has been very well brought out in previous testimony.

Gentlemen, in these coproducts which we in the starch gluten industry produce, I am sure it is now clear that we are competing only against other cereal grains, which are already priced lower than non-certificated wheat. Mr. Hellekson has made this very clear in his testimony. Wheat in our area is presently supported at \$1.30 per bushel but is selling at approximately \$1.50 per bushel. This compares with milo at approximately \$1.10 per bushel.

It must be obvious to all of you that if a \$1.25 certificate is added to this price, there is no possibility of producing anything industrially in competition with other cereal grains. Only by the exclusion

of certificate requirement in these competing uses will wheat ever take its proper place in our industrial economy.

We feel certain that the Secretary of Agriculture is eminently qualified to determine the portion of the wheat that should require a certificate because of its use in human consumption as a primary product. However, as long as the two words "including beverage" remain in the bill as suggested, it is obvious that the Secretary will have no alternative but to rule in such a way as to make impossible the continued use of wheat or wheat products as a raw material by us. This leaves us only two choices:

1. To eliminate wheat usage entirely and purchase other cereal grains, which will mean that because of the large sums of money we have spent in building our wheat gluten processing and sales, that we may be forced to close our operation altogether.

2. The outside possibility of selling as industrial starch that portion of our starch obtained from wheat clears. Naturally, this would involve the substantial cost of a new installation and, in addition, would change our entire economic base which has been developed in the past 14 years.

The interest of the committee in importing flour clears has brought to my mind a third point that we could look to the purchases of additional clears from imports which, of course would not have certificates paid thereon to continue operation. This we do not want to do. And I might add that even the possibility of additional tariff on this imported clear, without other clarifying material, would make this problem less palatable because our industry really worries; that is, the members of the starch gluten industry do, because without this flour clear that would be coming into the country, I am afraid that our industry would have failed long ago. It is not a great amount, but it has been enough to make up that amount of our raw materials that we cannot obtain from other sources.

At the minimum, if we are to be able to continue processing wheat or wheat products the words "including beverage" must be changed to read "including beverage but not 190-proof alcohol or spirits." This would prevent certificate exclusion for beverage use in whiskies or spirits at lower proof and beer when characteristic flavor of wheat might be involved. In addition, we add our requests to that of the rest of the industry; that is, that the flour sold to us should require no certificate so that this historical wheat-processing industry might share in the market growth for cereal grains.

I will be very happy to answer any questions that you may have regarding this statement.

(The prepared statement of Mr. Cray follows:)

STATEMENT OF CLOUD L. CRAY, JR., PRESIDENT, MIDWEST SOLVENTS CO., INC.,
ATCHISON, KANS.

Mr. Chairman, members of the House Committee on Agriculture, on behalf of my company, Midwest Solvents Co. of Atchison, Kans., I thank you for this opportunity to appear.

My name is Cloud L. Cray, Jr., president of our company. Our plant processes wheat flour and other cereal grains into wheat gluten, beverage alcohol and byproduct feed. We are making this separate statement, as Mr. Hellekson mentioned in previous testimony, because of our unique position in the starch gluten industry and the fact that the proposed wheat legislation would affect our operation even more seriously than it would the rest of that industry.

My company has spent the last 14 years working with the Agriculture Department, our State wheat associations and regional research laboratories attempting to increase the industrial utilization of wheat and wheat products. We feel that this is the only way, in addition to export sales, to eventually solve the wheat surplus problem.

During this period, in spite of serious problems of price and supply which totally prevented our use of wheat for more than 5 years, we have processed over 8 million bushels of wheat equivalent from wheat clear flour and another 1,200,000 bushels of damaged wheat into our basic products.

Recently, in the two-price system of certificated and noncertificated wheat, we saw hope for the first time that this raw material would be able to compete successfully with other cereal grains in industrial processing. However, this was before we saw section 104(b) in which section 379d(d) is amended. This section reads as follows:

(b) Section 379d(d) is amended to read as follows: "(d) As used in this subtitle, the term 'food products' means any product composed wholly or partly of wheat to be used for human consumption, including beverage, as determined by the Secretary."

In this one section the law has eliminated our ability to use wheat or wheat products for alcohol production and we want to tell you why.

Midwest Solvents Co., Inc., is, in effect, the only producer using appreciable wheat products to produce beverage alcohol or spirits. I have here the most recent report compiled by the Alcohol and Tobacco Tax Division of the U.S. Internal Revenue Service showing the materials used in the production of distilled spirits. The most recent figures obtainable were a comparison of the period July 1, 1964, to December 31, 1964, with the same period of 1963. In the last 6 months of 1964, a total of 25,202,534 pounds of wheat and wheat products were used in the production of distilled spirits. Of this total, my company reported to the Alcohol and Tobacco Tax Division 23,541,350 pounds, or approximately 93.5 percent. To show that 1964 was not an exception, during the same period of 1963, the ATTD reports a total of 24,666,282 pounds of wheat and wheat products used and of this total, my company reported 23,804,890 pounds, or 96.6 percent.

It might be additionally interesting to this committee to realize that this total of approximately 25 million pounds in the last 6 months of 1964 is only approximately 2 percent of the 1,056,036,783 pounds of total cereal grain used in distilleries.

It is obvious, from these figures, that wheat has no inherent value in beverage alcohol or spirits production. For example, there is no special beverage made therefrom. In the production of alcohol, our chief interest is in removing all tastes and odors of the original grain so that, in effect, beverage alcohol is exactly the same, whether it is produced from corn, rye, malt, milo or, as a matter of fact, potatoes. Wheat actually has less starch in it than do most of the cereal grains and, as a result, we can only obtain approximately 4.8 proof gallons of alcohol from a bushel of wheat, whereas a bushel of milo or corn produces approximately 5.2 proof gallons. Obviously, from an alcohol standpoint, wheat is not as good a raw material as many of the other cereal grains.

In addition, our processing of wheat is industrial utilization in its purest sense because, in converting the wheat starch to sugar and then to alcohol, we are entirely changing the original characteristics of wheat. As a matter of fact, this industrial processing even enabled us (prior to the wheat legislation of 1964) to use damaged wheat in our processing. I am sure that many of you know of the critical situation which occurred in the storage of wheat under the Commodity Credit program in large tents by Burrus Mills at their storage yard in St. Joseph, Mo. Much of this wheat was damaged to the extent that it had no value, even as a feed product for cattle. However, our industrial processing is such that we were able to use, in the years 1956 and 1957, in excess of 1 million bushels of this wheat in the production of a satisfactory beverage alcohol, which resulted in the recovery of over \$1,300,000 of otherwise useless grain to the Burrus Co.

We have, historically, been a market for damaged wheat from farmers and storage elevators in the Midwest, until the 1964 wheat legislation included beverage among the certificated uses of wheat. Since this legislation, we have been forced to tell the desperate sellers that the wheat certificate cost alone, in most cases, is more than the value of the damaged wheat for processing.

But, the even more serious results of the language of the present legislation is that it affects the members of our starch gluten industry differently and on a basis that is unrealistic in view of the extensive industrial processing our food end products have undergone. A company, for example, that has been fortunate enough in its past sales to emphasize disposal of nonfood starches will, according to my calculations, obtain 80 to 85 percent exclusion of certificate costs. If, on the other hand, another company has developed all markets, food use as well as nonfood use (and by the way, the economic difference between these two products in the marketplace is very small indeed) he will then obtain only 40 to 45 percent certificate exclusion. However, Midwest Solvents Co., who has made the greatest overall change in the original wheat through industrial processing, will obtain, according to my calculations, less than 15 percent exclusion.

Gentlemen, in these coproducts which we in the starch gluten industry produce, I am sure it is now clear that we are competing only against other cereal grains, which are already priced lower than noncertificated wheat. Mr. Hellekson has made this very clear in his testimony. Wheat in our area is presently supported at \$1.30 per bushel but is selling at approximately \$1.50 per bushel. This compares with milo at approximately \$1.10 per bushel.

It must be obvious to all of you that if a \$1.25 certificate is added to this price, there is no possibility of producing anything industrially in competition with other cereal grains. Only by the exclusion of certificate requirement in these competing uses will wheat ever take its proper place in our industrial economy. We feel certain that the Secretary of Agriculture is eminently qualified to determine the portion of the wheat that should require a certificate because of its use in human consumption as a primary product. However, as long as the two words "including beverage" remain in the bill as suggested, it is obvious that the Secretary will have no alternative but to rule in such a way as to make impossible the continued use of wheat or wheat products as a raw material by us. This leaves us only two choices: (1) To eliminate wheat usage entirely and purchase other cereal grains, which will mean that because of the large sums of money we have spent in building our wheat gluten processing and sales, that we may be forced to close our operation altogether. (2) The outside possibility of selling as industrial starch that portion of our starch obtained from wheat clears. Naturally, this would involve the substantial cost of a new installation and, in addition, would change our entire economic base which has been developed in the past 14 years.

We cannot believe that the present law intends to destroy the economic balance of the only industry which has repeatedly, and in the face of serious difficulties, tried to build industrial utilization of our wheat surplus.

At the minimum, if we are to be able to continue processing wheat or wheat products the words "including beverage" must be changed to read "including beverage but not 190 proof alcohol or spirits." (This would prevent certificate exclusion for beverage use in whiskies or spirits at lower proof and beer when characteristic flavor of wheat might be involved.) In addition, we add our requests to that of the rest of the industry; i.e., that the flour sold to us should require no certificate so that this historical wheat processing industry might share in the market growth for cereal grains.

Mr. PURCELL. Are there any questions of Mr. Cray?

Mr. Findley.

Mr. FINDLEY. I am sure that you realize that one of the problems that we would face would be to explain why we tax wheat for bread but not wheat for whiskey. That would be difficult to explain to the American people.

Mr. CRAY. I can understand that, Mr. Findley. The only justification, of course, is in the fact that it is a pure industrial use of wheat and as such would be a use competing with the use of other cereal grains, in other words, we have only two choices—either use wheat or some other cereal grain which does come at a lower price.

Mr. FINDLEY. Thank you.

Mr. PURCELL. Thank you. Are there any questions?

Mr. Bandstra?

Mr. BANDSTRA. No.

Mr. PURCELL. Mr. Dole?

Mr. DOLE. Is there any opposition to the suggested change you make in your statement?

Mr. CRAY. We have received no objection to our inclusion of this particular section.

Mr. DOLE. On page 2 you point out that you are a major user of wheat in the distilling industry.

Mr. CRAY. Yes, in the distilling industry; yes, sir.

Mr. DOLE. That you use about 93.5 percent?

Mr. CRAY. Yes, sir. As I say, we are virtually the only producer for this purpose.

Mr. DOLE. If the section should be adopted in its present form without any amendment, how would that change your present status? You have indicated that it would put you out of business. Do you have any dollar figures of what this would be if you changed to other cereal grains?

Mr. CRAY. We have developed our entire economy over the past 10 years toward the processing of wheat flour. Other distillers have developed other economic bases for their production of spirits. It is my opinion that paying the certificate cost on wheat flour that we would have to go entirely out of the use of wheat flour in our operation. If we converted back to cereal grains we would be some 10 years behind in developing other industrial bases from other cereal grains. Although these things are very difficult to forecast, I would say that before we could catch up we would definitely—our whole operation would close down altogether.

Mr. DOLE. In the event that your suggestion could be adopted do you foresee any great advantage in your program?

Mr. CRAY. No, sir. As in the case of wheat gluten, even limiting the production of the wheat starch, we are always definitely limited in the amount of beverage alcohol that can be consumed by our country. As I have said, there is no immediate possibility that this alcohol could compete with synthetic alcohol. Therefore, we are limited to the extent of the beverage alcohol that can be consumed.

I might also add to that that we are the only truly new use for wheat and wheat products to be developed over the past 10 years. Wheat has not been used for alcohol production until this period.

Mr. DOLE. What have you done to lay at rest any apprehension on the part of others?

Mr. CRAY. We have appeared in hearings of this kind many times before and bringing out the problems that have been brought out to date, we have never heard anybody come forward and criticize the use of wheat products in the production of alcohol.

Mr. DOLE. Thank you.

Mr. PURCELL. Mr. Callan.

Mr. CALLAN. We visited a little while about this subject this morning. There was considerable talk that if wheat were converted into alcohol, that this would solve our surplus problem, if it could be solved.

Mr. CRAY. This is rather difficult and even more difficult if you try to compare it with gasoline, the cost of gasoline with which it would be blended. We have estimated that wheat would have to be considerably cheaper than \$1.25 before it could be converted to alcohol to

compete with synthetic alcohol. Some people have said that it would have to come to us free. It is not that bad. I am not prepared to give an exact figure, but I would say it might have to come to us at one-half between the present price of \$1.25 and zero and it would probably have to come to us at 75 cents.

Mr. CALLAN. In order for it to be competitive in the market you would have to get cereal grains much cheaper than they are now, but you could not compete in the market now unless you could find a new method of conversion, is that right?

Mr. CRAY. This is true. It is a remote possibility at the current time, although we are working on this. And, of course, have hopes that byproducts could be developed to make the byproduct alcohol sell at a low price.

Mr. CALLAN. Thank you.

Mr. PURCELL. Thank you very much, Mr. Cray. Let us go off the the record.

(Discussion off the record.)

Mr. PURCELL. On the record.

Mr. FRENCH. The gentlemen to whom you are referring are Mr. Scheiter, who is present—there are actually three witnesses here on behalf of the Corn Starch Industry Committee. We have in response to your request of yesterday submitted the formal statements. We have boiled those down to the bone so far as we can, in order to present very succinct and terse statements to the committee. We do think that we have some very important points of information to give to the committee and we think it would be extremely useful to the committee.

Mr. PURCELL. You come around, then, and I will take whatever wrath that is brought on by going out of order again.

Mr. FRENCH. We can get through it very quickly, I think.

Mr. PURCELL. I understand, Mr. Kurtz, that you want to make a statement, about one or two sentences, is that right? If you will come around here even before these gentlemen testify, we will get you on your way very quickly.

STATEMENT OF CHARLES KURTZ, NATIONAL INDUSTRIAL PRODUCTS CO., COLUMBUS, OHIO

Mr. KURTZ. Mr. Chairman and members of the committee, there have been so many patents mentioned in this hearing that I think that possibly the members of the committee have lost sight of the fact that our starch gluten industry is definitely in favor of the language as it is proposed. We may not agree that it is broad enough but we are in favor of it as it is now as something that will help us.

We would like to point out that during the twenties and the thirties and the forties the spread in cost between corn and wheat was about 35 percent. Starting in about 1951 to 1955 the congressional change in the law increased that spread up to about 70 or 80 percent.

This new paragraph tends to bring us back to where we were. We are not getting any favors. We are just getting even.

We would like to impress that upon all of the committeemen.

Thank you, sir.

Mr. PURCELL. Thank you very much.

All right. You may now proceed.

Mr. FRENCH. The first statement will be by Mr. Fisher.

STATEMENT OF ROBERT S. FISHER, KEOKUK, IOWA

Mr. FISHER. Mr. Chairman and members of the subcommittee, my name is Robert S. Fisher. My address is Keokuk, Iowa. I am chairman of the board of the Hubinger Co., whose offices and plant are both located in Keokuk.

My company is a corn wet miller, that is, we process whole corn by the wet milling process to produce starch, corn sirup and various byproducts used in animal and poultry feed and corn oil extraction. Our basic product—and the foundation upon which the industrial utilization of all grains is based—is starch.

We are absolutely and irrevocably opposed to the proposed change in section 379(dd) and we strongly urge that part (b) of section 104 be stricken from the bill and that the existing definition of the term “food products” in section 379(dd) of the Agricultural Adjustment Act be left just as it is.

We view the proposal being considered here today as an attempt by the wheat millers, some adhesives manufacturers, and the wheat starch-gluten industry to obtain an industrial subsidy which could drastically realine the historic market for grains in the United States, replacing millions of bushels of corn with wheat.

Starch from wheat and from corn can be used interchangeably for most if not all starch uses. However, it is more economical to produce starch from corn than from any other native starch, including wheat, under normal market conditions, and corn has been developed naturally as the dominant source of starch in the United States.

As a result, the corn wet milling industry today consumes about half of the corn produced on American farms, which is not fed or exported. And I wish to stress that industrial starch is the basic product of the corn wet milling industry, not a byproduct. Wheat, on the other hand, is primarily valuable as a food grain. The industrial usage of the starch contained off-grade flour or washed from byproducts of the wheat milling process has been of little significance as a source of income to the wheatgrower and, indeed, has never been of major importance to the wheat millers.

I should like to direct your attention to the report and recommendations of the Utilization Research and Development Advisory Committee to the Department of Agriculture developed at its meeting in San Francisco in December 1964. On page 5 of the Committee's report, the Committee stated with respect to industrial utilization of wheat that the Committee, “fails to see where the diversion of one surplus crop such as wheat into markets traditionally supplied by another crop, also in surplus, is the best use of utilization research funds.”

The principle enunciated by the Utilization Research Advisory Committee applies with equal force to commodity programs as it does to utilization research programs. Commodity price-support operations should not be manipulated to divert one surplus crop, wheat, into markets traditionally supplied by another surplus crop, corn. To do so merely robs Peter to pay Paul. The result would be, not to create new or expanded industrial uses for grain, but merely to shift our country's starch markets from corn to wheat.

We feel it is improper to substitute. We can sympathize with the gluten-starch people. We are in a position to know. Cornstarch has had to compete for decades with duty-free imports of cheap tapioca starch from the tropics.

But we have sought tariff relief. We have not sought an industrial subsidy. We believe that industrial subsidies are dangerous and uneconomic and incompatible with the private enterprise system.

To summarize, we in the corn wet milling industry believe that the amendment proposed in section 104(d) of H.R. 7097 would result in a costly and ill-conceived industrial subsidy at taxpayers' expense which would play havoc with our country's grain marketing structure, would severely and unjustly injure the corn wet milling industry, and would substantially reduce the incomes of corn farmers without benefiting wheatgrowers.

We urge that this proposed amendment be rejected.

Mr. PURCELL. Very well. We will hear your next witness.

Mr. FRENCH. Our next witness will be Mr. Scheiter.

**STATEMENT OF E. K. SCHEITER, PRESIDENT, A. E. STALEY
MANUFACTURING CO., DECATUR, ILL.**

Mr. SCHEITER. Mr. Chairman and members of the committee, gentlemen, my name is E. K. Scheiter. I am president of the A. E. Staley Manufacturing Co., Decatur, Ill.

The Staley Co. has produced products from corn using the wet milling process for over 50 years. I am here to oppose the amendment in section 379(dd) of the administration's wheat bill, H.R. 7097.

We have no objections to the other provisions of the wheat bill.

I listened and read the testimony submitted at this hearing, and what I get out of it is that the principle is not the only point made by the proponents of the amendment, section 379(dd). That 6 to 8 million pounds of wheat gluten are needed in this country being imported. And they would wish to have a price adjustment in the price of wheat to permit this. Let me say it does seem strange, indeed, that we cannot work out a plan for producing this amount of wheat gluten out of the amount of surplus wheat supply we must get rid of.

The big point, however, is to solve the problem without creating much greater problems and very great inequities in the industry.

I have conscientiously tried to understand the figures submitted by the wheat flour processing people. I think they are saying that 6 to 8 million pounds of gluten, to produce that, the flour millers must mill an additional, approximately, 11 million bushels of wheat to get that. The proponents say that this additional 11 million bushels of wheat milled would produce only 30 million pounds more of industrial starch as a byproduct.

This is in Mr. Hellekson's testimony.

Now, the strange silence about the 450 million pounds of additional flour which would be produced alarms me. And in my opinion should alarm anyone trying to look into this problem constructively as an overall picture. The flour milling industry in this country is highly efficient, but they do have a tremendous overcapacity due to

the consumption of wheat flour as we all know. I believe that they are selling every pound of flour that they can sell in this country and abroad now, so what do we do with the 450 million pounds of additional flour produced to supply enough clears to make 6 to 8 million pounds more of gluten?

Well, we know exactly where that sort of a surplus supply of wheat flour would go. It would go to industrial products. And if the wheat that goes into it is subsidized under the going price of wheat, that flour will go into paperboard, boxboard, adhesives, to replace more bushels of corn than the additional bushels of wheat processed.

It is essential that the total of all products produced be considered. Certainly the committee will evaluate the whole complex rather than only one segment.

It seems imperative that we should not try to solve one problem of a moderate size and create several major ones.

It would be just as logical for the cornstarch producers to say that they should have a lower price on corn to keep 335 million pounds of duty-free tapioca from coming into this country, which also represents 10 million bushels of corn. Instead, we have asked for duty relief without success.

The question is as to whether it is the intent of Congress to narrow or tamper with the differential in cost to the corn and the wheat milling industry that has existed over the last 15 or 20 years.

I would like to stress one or two points that are in my statement. It is not a valid argument to say that the wheat millers are only a small volume in nonfood industrial business. It is expressly for this reason that the wheat millers want this subsidy, mainly to enable them, strictly on price, to take business that the corn refining industry created and has served so long without subsidy; without the certificate value added wheat millers would be buying wheat at below the farmer's cost of growing it.

Most of the wheat flour they would sell for industrial use from such Government-subsidized stocks would subtract from the existing use of cornstarch which is made from corn purchased by the corn processor at prices well above the farmer's cost of growing it. The small volume of industrial nonfood wheat starch and wheat use during the past 20 years proves the point that a free differential price on the market has not competed with the well-established business in cornstarch developed, and was developed by the corn processor.

At present, the amount of wheat used for industrial purposes is small and it should be small because the intrinsic value of wheat is for food. The cost of producing wheat does not make it suited for processing for industrial uses, such as starch.

In other words, the true value of wheat is not \$1.31. It is more like \$1.75 to \$2.25 per bushel. The U.S. farmer cannot grow wheat at \$1.25 to \$1.30 per bushel, so why would industry be permitted to create a demand for wheat at a lower than farm production cost to compete with an industry which uses corn which can be grown economically at current loan rates.

We do not want to belabor the point, but it seems to be perfectly obvious that this amendment is nothing more nor less than an effort to legislate lower priced wheat or certificate products of wheat by the

millers and processors at the expense of the taxpayers, farmers, and corn processors.

Thank you.

Mr. FRENCH. Mr. Chairman, we have one final statement by Mr. Clay and that will conclude our presentation.

STATEMENT OF JOHN C. CLAY, NATIONAL STARCH & CHEMICAL CORP., INDIANAPOLIS, IND.

Mr. CLAY. Mr. Chairman and members of the committee, my name is John C. Clay. I am an officer of National Starch & Chemical Corp., whose plant is in Indianapolis, Ind. My company is a small-to moderate-sized wet miller of corn. I have been affiliated with the wet milling industry for 35 years, 29 years with National Starch primarily in the marketing area. I have just a few remarks to make which I believe are pertinent to the inquiry which you are conducting.

First, let me say that if the amendment proposed in section 104(b) of H.R. 7097 is enacted, my company will lose business to wheat starch—business that we have built up over many years of hard work and outstanding investment in research, development and genetics. I will go further and say that if this proposed amendment is adopted and has the effect upon the wheat milling industry which we believe it will have, our business will be severely affected.

Now, the question we have been asking ourselves is, why is this legislation being proposed? The apparent answer was given yesterday by the USDA witness who stated, as we understand his testimony, that the purpose of the proposed amendment is to enable the wheat starch-gluten industry to compete more effectively with imports of vital wheat gluten.

If this is the problem for which the proposed amendment is offered as a solution, then our answer is that there are more appropriate remedies available to the wheat starch-gluten industry than this legislation.

For example, there is section 22 of the Agricultural Adjustment Act (7 U.S.C. 624). Under this provision, the President is required to impose quotas or fees up to 50 percent ad valorem on imports of any product which he finds either interfering with any program of the Department of Agriculture or reducing substantially the amount of any product processed in the United States from any agricultural commodity or product thereof with respect to which any USDA program is being undertaken.

In addition, there are various types of investigations by the Tariff Commission which can be undertaken leading to tariff and/or quota relief. Also, there is the possibility of direct legislative relief in the area of tariff increases. We are not aware that the wheat starch-gluten industry has exhausted these avenues of potential relief—avenues that deal directly with the problem posed by the USDA in its testimony yesterday.

What the wheat starch-gluten industry is trying, by asking for enactment of this proposed amendment, is like going after a fly with an elephant gun. The effects of this amendment would be vastly more far reaching than merely enabling the starch-gluten industry

to compete with gluten imports. This proposed amendment would alter the historical mill price relationship of industrial-use wheat flour and industrial-use corn. The specific results of this alteration, we are convinced, will be far reaching and drastic—all to the detriment of our industry, and, gentlemen, to the corn farmer.

Let me try to make our position clear. We do not seek any artificial or unfair advantage over the wheat processor. We seek only to preserve the historic relationship between the price of the wheat processor's raw material and the price of the corn processor's raw material.

It must be emphasized that the raw material for the wheat starch-gluten manufacturer is wheat clears and not wheat. The proposed increase in certificate value for wheat is to be borne by an increased bread price. The President has indicated that this increase would be about 1 cent per loaf of bread. Thus, if the program operates as it should, the wheat starch-gluten manufacturer will not have to pay more for his raw material.

Now, I have just one or two additional matters on which I would like to comment.

We are positively amazed at the allegation of the wheat starch-gluten industry that they have lost a substantial part of their gluten business to imports because of the wheat certificate program.

In the first place, we question whether gluten imports in 1964 were greater than in 1963. Furthermore, the blame for any imports surely cannot be placed on the wheat certificate program. The fact is that the price per bushel of wheat today, including the price of the domestic certificate, is exactly the same as it was 1 year ago before the certificate program went into effect. Accordingly, we feel that the starch-gluten industry's predictions as to what will befall them if the certificate price is increased, should be closely scrutinized, especially since, as we understand it, the domestic price of second clears is much more closely related to the world market price of clears than to the domestic price of wheat. The import duty on clears is $2\frac{1}{2}$ percent ad valorem.

One other assertion of the starch-gluten industry deserves comment. It has been alleged that the starch-gluten industry suffers discrimination under the certificate program as against other producers of non-food products from wheat, because the other producers can purchase, without certificates, flour that has been denatured whereas the starch-gluten manufacturers cannot. While it is undoubtedly true that the starch-gluten manufacturers cannot use flour that has been denatured, since they produce food products, we believe that this argument creates a distorted picture of the true situation. The fact is that under the certificate program as it exists today, no processor of wheat flour can use noncertificate flour that has been intentionally denatured. Only flour that has been unintentionally contaminated in the milling process can be used without certificates. Surely this cannot be the basis for such commercial discrimination as is being alleged.

To summarize, we do not believe that altering the historic price relationship between domestic wheat and corn for industrial use is the proper means to correct the problem arising from increased gluten imports. Such tampering jeopardizes the investments and business relationships that have been built up over decades. The answer to

the gluten import problem should instead be sought through tariff adjustment or import quotas.

Accordingly, we urge you to defeat this proposed amendment and to leave the definition of "food products" in the law just as it is.

Thank you.

Mr. FRENCH. Mr. Chairman, that concludes our presentation. We are available for questions.

Mr. PURCELL. Do you have any questions. Mr. Callan.

Mr. CALLAN. I would like to get this question of subsidy clear in my mind. What we are talking about is, apparently, a type of subsidy, is it not? Actually the payment goes to the farmer—the 75 cents, the \$1.25 cents a bushel—it is a subsidy in reverse—would you agree to that?

Mr. SCHEITER. We proposed an amendment that the subsidy be granted to the farmer in terms of the certificates, and that results in the price which the miller pays, and you would get a rebate when he used some of that for industrial use.

Mr. CALLAN. Does he pay the \$1.25 or the 75 cents, which might go to the farmer—and what you are trying to do here is that you get the \$1.25 back so that it is a reverse type of subsidy? I wonder if you would agree that if the wheat program was offered the same as the corn program whereby the subsidy the farmer gets in percentage payments would come out of the treasury instead of coming out of the consumer? And if so, would you not have the same relationship if you did that? In other words, what we are talking about here is a different method of subsidy. We are trying to get it from the consumer, whereas on the corn it comes out of the Federal Treasury. Is this not true?

Mr. SCHEITER. Are you referring to the relationship between the crop control payments on corn and so forth?

Mr. CALLAN. Yes.

Mr. SCHEITER. Well, this situation there is, as I see it, that there is a problem on corn and there is a problem on wheat, but the problems are entirely different.

In the case of corn we raise 4 billion bushels of corn but 85 percent of that 4 billion bushels of corn is used by the farming community itself. A very small percentage, 10 percent of all of this enormous amount goes to the commercial market, so that the Government has the problem there of maintaining a sound economy, both for the corn farmer and the tremendous livestock industry. They have this interplay, you see, because some farmers grow corn and the livestock industry buys it.

So in the interest of maintaining a sound livestock economy and a sound corn economy by not letting corn be grown too extensively and creating surpluses, the Government has this crop control on the amount which comes out of the national purse as the price to pay to keep these industries, both of them agricultural industries, on a sound premise.

When you come to wheat you have a billion dollar industry and I think that the problem is altogether different. Each has to be solved, but I think that you cannot apply them against each other—you cannot do that.

Wheat, on the other hand, over half of which has to be exported, because we have no domestic consumption of any kind like that. The farm community does not use this particular wheat. One-half of it is used for food which is fundamentally what wheat and the wheat industry is designed to produce. They have to get some kind of a level to get that over 50 percent. Last year it was 76 percent of all of the wheat that we grew—it was 860 million that we exported, and we had to get that out of the country which is an entirely different reason for creating a subsidy payment or a certificate payment, to get this stuff out of the country which is an altogether different problem from trying to maintain a domestic growth of corn and a domestic consumption of corn.

So this is the real problem. We have to get a big certificate to get 50 to 60 percent of this into the world market. The Government picks up the tab for some of this. And it has been decided, apparently, that the consumer of the food product; namely, wheat, flour, and bread should pick up the tab for some of the rest of it. So it is pretty difficult for me to relate one to the other.

Mr. CALLAN. Would you agree that if we had the right program, that we would not be in this discussion today, whether or not there was a subsidy?

Mr. SCHEITER. I think that this is correct. We had a like program until the certificate plan came along. We said that we have got to have a subsidy on this wheat to get it out of the country. I think that the subsidy is an excellent subsidy to get wheat out of the country.

Then came the certificate plan which was designed to resolve this increasing problem of getting this wheat out of the country into a worldwide market at a price which would be competitive.

Mr. CALLAN. The subsidy would increase the farmer's income and get it out of the country, is that not right?

Mr. SCHEITER. That is right.

Mr. CALLAN. Thank you.

Mr. PURCELL. Mr. Findley.

Mr. FINDLEY. This is an important part of our economy in my State. We have heard statements to the effect that this amendment would simply reestablish the historical price relationship between wheat and corn which prevailed about a decade ago. Would you like to comment on that?

Mr. FRENCH. Mr. Findley, it is our belief that insofar as the increase in the price of the certificate is concerned, this increase will not be passed on directly to the gluten starch industry which processes the second cures flour. Now we believe this because the second cures flour market is one which is open to purchases from abroad or from here an internal export market for the second cures flour is brought through an export subsidy if one is necessary to the world market prices. It is our feeling that in the economics of this there is a ceiling in the present price which the gluten starch industry is going to pay for its raw material which is, in effect, the world market price. There are variations which are necessitated by the difference in the cost of freight and other factors, but, basically, that is the relationship as we see it.

We do feel, however, that if this amendment were enacted and the industrial use of wheat itself were made available to the miller at

the noncertificate price, that there would be a substantial incentive there for the miller to sell his clears at lower than the world market price to the processor, to the starch group and processor. And so that is why we believe that they are correct in saying that the cost of their raw material will be reduced. If this amendment is enacted, we believe, based on what we know of the operation of the market, that there will be no increase in their cost of raw material over the present price which is the same as it was a year ago before the certificate program, if this amendment is not enacted and even though the certificate price goes from 75 cents to \$1.25. I hope that answers it. I am not sure.

Mr. FINDLEY. Including the cost of the certificate it would increase the cost?

Mr. CLAY. Yes, sir.

Mr. FINDLEY. If that be the case, what is your comment as to the proposed compromise to cut the price of the certificate?

Mr. CLAY. I am not sure how this would alleviate the problem, because I have mentioned that it is our understanding and I believe that the price of clears is related to the world market price of clears and not to the domestic wheat price—it is related to the world market.

Mr. FRENCH. May I add that the second clears is a byproduct of the wheat milling process, as we all know, and the price of it is dictated more by the market for it than it is by the cost of the wheat miller's raw material.

Mr. CLAY. This is a fundamental difference. The wheat starch-gluten people are using a product which is, essentially, a byproduct of the wheat milling operation, whereas we are producing a primary product from corn, rather than a byproduct.

Mr. FINDLEY. Thank you.

Mr. FISHER. If I remember, Hercules Powder Co.'s testimony, they stated that they were losing money at Harbor Beach, Mich., and yet they were buying clears from Canada. And they must have been buying the clears at the world market price. In other words, in order not to lose the money they have got to be at a price below the world market price, as I see it, to produce a profit there—their gluten.

Mr. PURCELL. Do you have any questions, Mr. Bandstra?

Mr. BANDSTRA. We continue to talk about the historical price differential between corn and wheat. Assuming that corn was \$1 a bushel, wheat should be at what price historically in order to maintain a proper relationship?

Mr. FISHER. Over the years it has been 70 cents a bushel.

Mr. BANDSTRA. Higher?

Mr. FISHER. Yes; slightly. It has been higher.

Mr. BANDSTRA. And wheat would then be \$1.70?

Mr. FISHER. That is right. I think that would be called the normal relationship.

Mr. SCHEITER. The Government insists on the farm price of wheat and corn, starting in 1963 and going back to 1954—the difference between wheat and corn per bushel has run like this: 76, 75, 74, 72, 63, 82, 68, 63, 70, 56, 57—that is cents per bushel. These are Government statistics indicating what the going situation has been.

Mr. FISHER. That is with or without the certificate and with or without a program. It has always been that way.

Mr. BANDSTRA. I take it that it is your position that if the historic price differential is maintained that corn is the more efficient producer of starch?

Mr. SCHEITER. There is no question about it.

Mr. CLAY. The average yield per acre of wheat in 1962 was 24.6 bushels per acre, and the corn average per acre in 1962, 62.4. I think that this production per acre really spells out the economic difference in cost of raising wheat and what the returns would be to the farmer.

Mr. SCHEITER. It was pointed out that the wheat starch business is relatively small. It has been small at these particular differentials, you see, because at these two prices, \$1 for corn and \$1.75 for wheat, we cannot produce enough. If you know this, then to that extent wheat starch can step in, but it takes it away from corn which has the market.

Mr. BANDSTRA. Would it be your position that wheat millers, with this amendment that is, could buy wheat at \$1.25 and we would upset the historic price differential between these two products and in effect this is where you get the idea of a subsidy?

Mr. SCHEITER. We would be in a position to sell some products that we are not able to sell at \$1.75 into the paperboard, boxboard industry now serviced by corn. They could sell there. They would be able to do that there.

Mr. PURCELL. Mr. Dole has a question.

Mr. DOLE. Has there been any effort on the part of the corn and flour millers to work out a compromise? Sometimes that is the best solution to a subject.

Mr. FRENCH. There are, of course, limits to which the corn wet milling industry can go. I understand that the corn wet milling industry has suggested that if the starch-gluten industry pursues what we believe are the appropriate remedies that the corn wet milling industry would be happy to support them in that effort and to join with them.

Mr. DOLE. This may be an oversimplification. Would the flour millers be in favor of not amending the feed grain law to pay the full price, instead of the support price for corn—would they be in favor of that?

Mr. FRENCH. Well, perhaps, Mr. Scheiter did not make fully clear in commenting on this, but it is our feeling that the payment made to the corn farmers who are compliers in order that they not raise too much corn, that the 13 or 18 or 20 cents payment is a payment to limit the amount of corn in the marketplace and we are quite positive that if it were not for this payment a great deal more corn would be produced, notwithstanding the loan and the purchase program, and that the result would be a drop in the market price of corn. We would obtain our corn substantially cheaper. So we do not feel that this is any sort of a subsidy to the corn processor. We feel that we are paying a price for corn which is, in effect, supported by this payment, and that if this payment were not there then we would be paying lower prices for our corn.

Mr. DOLE. There is another difference in the program, the division payment to the wheat producer on 45 percent of his production. It seems to me that the argument has been made—I do not want to pursue this at this point—but maybe, according to Mr. Underhill's

statement you would be in the same position and if you are there is nothing wrong with it—if we are not, I think that we should go into it.

Mr. FRENCH. I think, Mr. Dole, to say the same position, I think that is upsetting the historical relationship, and this is what we are concerned with. In other words, if he means by the same position equal prices on the raw materials this is completely altering the historic relationship between these two grains and changing the whole industrial economy use of these products.

Mr. DOLE. If they are not equitable then perhaps they should be changed.

Mr. SCHEITER. May I make a point?

Mr. DOLE. Yes.

Mr. SCHEITER. May I make one point? I thing entirely aside from the other question, a very serious consideration is that on a major crop grown in this country, be it corn or wheat, a terrific problem arises when the Government says you may buy the same commodity at this price and somebody else buys it at this price, and somebody else buys it at this price. In the corn industry all domestic consumers, the farmer, the processor, the exporter, everybody pays the same price. If you got into the corn situation or the wheat situation and there was legislature that said it is determined that this basic crop shall go to this processor for this much because he has a particular problem and it should go to the feed grower at this and the exporter at this, that he should have another type, this is where the fantastic problem seems to come and it is not true on corn. Everybody pays the same price on corn. And we think that whatever is done to solve the wheat problem, and there is one, of getting rid of all of the surplus wheat, that the Government says that this is what we are going to do and this is going to be the domestic price and this is going to be the export price and because of this, they then determine how it is to be decided, but everybody should pay at the same price for an agricultural commodity, because it is just endless—every business has a different problem—every industry has a different problem—and the situation and their competitive position is derived by determining what they can do with the corn or wheat in relation to the same price that somebody else can buy this wheat or corn for, and handle it and this is where industry takes a fall, to take a basic product at a basic price.

Mr. CLAY. I might add another thing. The marketing of wheat and corn is two entirely different matters. The majority of the wheat moves into further processes, whereas in the case of corn by far the largest market for corn is the farmer who grows it on his own farm and then feeds animals with it. He does this because it is more efficient. He can grow many more bushels on a given farmland. And he can feed more animals than he could with wheat.

If you would process the problem on a method of some change in the method of payments you might be asking the corn farmer himself to pay more for the grain which he raises and feeds to his animals.

I would like to point out in further magnification of this, that most of the corn never leaves the farm. And of that that leaves the farm if we eliminate the corn first why, then the corn that goes to the market, to the wet milling industry, it consumes approximately 50 percent of that corn.

Mr. DOLE. I thoroughly appreciate your concern on the problem.

Mr. FISHER. I would just like to mention one more thing in connection with what you have said. The corn refining industry, when it started in this country used corn as raw material for starch because it is more economical for the farmer to grow corn than wheat; and, therefore, the price of corn is lower than the price of wheat. It always has been and it always will be.

Now they developed their plant and their entire basis. Now if the Government comes in, as has been pointed out, that the historical relationship has been somewhere between 70 to 80 percent, if that is the charge, there is no reason why our industry could not have used some other cheaper grain. Artificially now, you are going to make wheat cheaper or as cheap as corn when, actually, it costs more to produce it.

You will take our business by that. And we have built up on this economical principle, merely to serve the starch-gluten industry. That does not seem right to me. In other words, they have not had it.

You have mentioned equity. We have had it all of this time. Now you are creating an entirely different situation to change this relationship.

Mr. DOLE. Thank you.

Mr. PURCELL. All right, gentlemen, thank you very much. We will now hear from Mr. Richard Lewis.

But before that, we will hear from Mr. Heimburger. We do not want to overlook him. He is the one who understands things.

Mr. HEIMBURGER. I cannot live up to that advertising, I am sorry, because I do not understand it.

I wonder if we could reach some agreement on some positions of fact here. I do think that it would be highly desirable if the two industries could get together and agree on some compromise on this thing. I think that it is interesting that these witnesses have referred to clears time and again as a byproduct. And that makes it unanimous now, so far as I can see.

The only people in the country who do not refer to clears as a byproduct is the Department of Agriculture.

Might I ask you gentlemen, do you agree with the figures presented by the wheat processing industry that their share of the starch market at the present time constitutes less than 2 percent of the industrial starch market—do you agree, generally, with those figures?

Mr. SCHEITER. It is about right. It is a very small percentage, under 5.

Mr. HEIMBURGER. Do you also agree with their statement that if they do not have a sale for their gluten, one of the two major products they get from flour, that they cannot afford to use flour, even clears, just for the manufacture of starch?

Mr. CLAY. Unless the price is sufficiently low that they could make the starch.

Mr. HEIMBURGER. Unless the price is fantastically low. You would agree that any reasonable anticipated price they have to have a market for this gluten in order to be able to make starch.

Mr. FRENCH. What you say I think we agree with, but I think it should be understood that you are now talking about the starch-

gluten industry only in terms of capacity for wheat starch production and you are limited by the sales of gluten.

Mr. HEIMBURGER. That is what I was thinking about.

Mr. FRENCH. I think that we would agree with that, unless, as Mr. Clay says, the price dropped sufficiently low, but we have asked the question and we do not think answers have been given to what becomes of the 480 million pounds of wheat flour which is necessary to produce enough second clears for them to process in order to gain back the gluten market that they have lost. We feel that 480 million pounds have to go into competition with the cornstarch. It can be processed directly into adhesive products which are in competition.

Mr. HEIMBURGER. At the present time I assume that part of that is being exported, is it not?

Mr. FRENCH. Oh, yes, 50 percent or more of the flour produced in this country is being exported.

Mr. HEIMBURGER. I do not have an answer to your question, I must say. This proves what the chairman just said that I do not understand all of the technicalities of this problem, by any means. However, I do want to ask another question or two.

I have been interested by your reference to a historical price relationship. Just a few minutes ago I took the trouble to go out and see what the average price was during the 10 years prior to 1964, and they came out at about the figures given by the gentleman over here at the end of the table. In the 10 years, 1955-64 the average price of No. 3 Yellow corn in Chicago was \$1.22.2 a bushel. The average price of No. 2 Hard Winter Wheat in Kansas was \$2.10.3, a percentage relationship of \$1.72, which is very close to the 70 cents that you mentioned.

I would like to ask you this question, What do you anticipate the price relationship between corn and wheat will be in 1966 with the additional 50 cents value of the certificate added?

Mr. SCHEITER. Not very much difference than at the present time.

Mr. HEIMBURGER. Well now, corn in 1964 averaged \$1.19.6 according to the Department's figure that I have. Assuming that an additional 5 cents is paid directly to the farmer as part of the price support, instead of being on the loan value, I think it would be safe to say that will, probably reduce the corn price by 5 cents, to let us say, \$1.15. At the same time the stated objective of the bill we are considering is to set up a cost to the miller of, approximately, \$2.50 on wheat. Here is a difference of \$1.35. I think this is what we are talking about here.

Mr. FRENCH. Perhaps, I do not fully understand the program, but the price of wheat today with today's certificate price on it is the same as it was without the certificate a year ago.

Mr. HEIMBURGER. It is supposed to add on an additional 50 cents on the cost of the certificate.

Mr. FRENCH. Well, I do not know exactly. I do not know that we can exactly answer your question, but the answer to the question as we see it is that the mature approach by the starch gluten industry is not wheat—it is second clear flour.

Mr. HEIMBURGER. Come now, the Department of Agriculture says it is wheat, the same as flour. So let us not get off on this tangent. I think it is quite clear that if the additional 50 cents is added to the

cost to the miller on the wheat that the price of the wheat under this bill will be in the neighborhood of \$2.50. It will, probably, be more than that. It will be in that neighborhood, however.

It is, also, quite clear that if the present proposed program for corn is enacted, the price of corn should be in the neighborhood of \$1.15 to \$1.20.

And as to distinguishing between the corn and wheat programs, they are exactly the same—the only difference is that in the case of the wheat program we pass the support price—part of the support price onto the consumer in the form of a certificate, and in the case of the corn program it is paid by the Treasury, but the 20-cent payment to the farmer is as much of a subsidy to the corn industry as the \$1.25 payment to the wheat farmer.

Mr. FISHER. I do not think so, because this is raising the price.

Mr. HEIMBURGER. If the farmer is going to get \$1.30 for his corn or \$1.25 for his corn——

Mr. FISHER. But he is raising less corn, which makes it——

Mr. HEIMBURGER. So is the wheat producer raising less wheat—this is the whole purpose of the wheat certificate program. He has to do exactly the same thing as the corn farmer has to do—he has to cut down his wheat acres and put them into retirement. The two programs are entirely on all fours, so that I would assume that your position would be that if the corn program should go on a certificate basis next year, the industrial use of corn should not be exempted from the purchase of the certificate.

Mr. SCHEITER. Everybody should pay the same price for corn, that is the point.

Mr. HEIMBURGER. It does not seem to me that it is as important that everybody should pay the same price for corn, or for wheat, as is the comparative price level of the two commodities. The farmer will not pay the same price for corn as one who purchases it on the open market. Most of the corn remains on the farm, as you have said.

Mr. SCHEITER. Except one farmer buys it from his neighbor and he is going to pay the market price.

Mr. HEIMBURGER. This is true. Those are all of the questions that I have.

Mr. FINDLEY. This discussion we have had today ought to remove any doubt that might still linger that Uncle Sam is engaged in price fixing on a rather broad scale.

I see Mr. Underhill is still in the room. Could I ask that he submit information for the record? What would be the effect on Government income from certificates if we leave this amendment in, and if we take it out? I think we ought to have estimates in the record.

Mr. PURCELL. I think that is a good question. I would like to add a supplement to your statement. I do not think that Government income is derived from the certificate. But the same question would be still applicable; that is, the amount of money involved in this, being income to the farmer, not to the U.S. Government—it would go to the farmer.

Mr. FINDLEY. Income to the Commodity Credit Corporation, certainly. It is clearly money, from the standpoint of the miller who buys the certificate, even though most of the money might ultimately go to

the farmer. In between, it is income to the Government. It is important income.

Mr. PURCELL. I think that is important. However, I do not want to get in that argument. I think that you and I can argue about that.

Mr. UNDERHILL. I will be glad to submit that for the record.

(The information follows:)

In order to arrive at the effect of the amendment on the market for wheat farmers and the certificate income of CCC it is necessary to estimate what would happen to the domestic industry without the amendment and what would happen to imports.

If the certificate cost should increase from 75 cents per bushel to \$1.25 per bushel with no relief to domestic processors of flour clears we estimate that one-half of the industry would close down and the gap would be filled by increased imports. Also we estimate that if the amendment is enacted current imports of clears and gluten will be reduced by 50 percent.

On this basis adoption of the amendment would prevent a curtailment in the utilization in the domestic market of 5 million bushels of domestic wheat and would result in an increased utilization of 1 million bushels. This is a difference of 6 million bushels per year in favor of the adoption of the amendment.

Certificate receipts of CCC will be initially about \$3 million less with the adoption of the amendment than it would be without its enactment. This difference would, however, become less with the passage of time as processors of glue extenders, pet foods, etc., adapt their operations to preparation of products directly from wheat or by utilization of denatured flour and thus avoid certificate liability.

Mr. HEIMBURGER. May I have your indulgence for just one more question?

Mr. PURCELL. Yes.

Mr. HEIMBURGER. One of the witnesses testified that he thought that there was a basis on which these two industries might get together and compromise on this legislation. Would you tell us what that is, please? I think that we would like to have that.

Mr. FRENCH. Mr. Heimburger, no, I did not say "on this legislation."

Mr. HEIMBURGER. I am sorry. I thought that was the subject under discussion. I assumed that you meant with respect to this bill.

Mr. FRENCH. If that was the question, then I misunderstood it. What I said was that we, certainly from our standpoint, would be happy to assist the starch gluten industry in any way that we can in the support of the remedy, one or more of the remedies which we believe should be appropriate, within the realm of section 22 action under the Agriculture Adjustment Act or some action under the Trade Expansion Act or some matter of that kind.

Mr. HEIMBURGER. The remedies you think might be appropriate are outside of this legislation?

Mr. FRENCH. We think so; yes, sir.

Mr. HEIMBURGER. Thank you.

Mr. PURCELL. Thank you. You are excused.

We now want to hear from Mr. Richard Lewis before we quit for lunch.

STATEMENT OF RICHARD LEWIS, ARAPAHOE, NEBR.

Mr. LEWIS. Mr. Chairman and members of the committee, my name is Richard Lewis. I am a wheat farmer from Arapahoe, Nebr. I find myself in a rather unique position here today on these hearings on farm legislation. I find that I am the only farmer testifying.

In the cooperative effort of market development known as Great Plains Wheat, the State of Nebraska is charged with responsibility for the research and industrial utilization program. I represent, in this testimony, the committee charged with this industrial utilization activity.

We support the wording of the bill as offered in section 104(b) of H.R. 7097. This does not require a certificate on flour going into non-food uses.

As a wheatgrower, I realize that traditional food uses for flour have not increased in volume and have actually declined on a per capita basis.

I believe an area of potential growth for cereal grains exists in the field of industrial uses. Wheat presently shares to a small extent in this.

The language of the act would preserve these historical industrial uses. Without this language wheat will be excluded from a competitive position and these historical industrial uses are in jeopardy.

Wheat should share in this industrial-use field not only for historical uses but also for new uses for cereal grains that will be developed through industrial research.

Having seen some operations of the wheat starch-gluten industry, I realize that there is a large force of highly talented people who may develop uses in this area that might not be developed otherwise.

We would not want to see this effort restricted. To do so, would be at counterpurposes with the action of Congress in appropriating large sums to do basic research into industrial uses of wheat.

In no sense are we criticizing that program. We think it serves a very useful purpose and know that, building on this basic research, with the economic incentive of industry, there is a real opportunity for developing cereal grain uses to their full capacity.

With the present wording of this bill, this talent is available for increased research into areas that promise some greatly expanded uses of cereal grains.

And I have carefully chosen that word, gentlemen. For I believe that all cereal grain will profit by increasing the tempo of this industrial research.

Thank you, gentlemen, for this opportunity to testify on behalf of wheatgrowers.

Mr. PURCELL. Let me suggest that you have amplified what we have been looking for all of the time. We appreciate your statement very much. Are there any questions of Mr. Lewis? All right, we thank you very much, Mr. Lewis.

Mr. LEWIS. Thank you.

Mr. PURCELL. Let us go off the record.

(Discussion off the record.)

Mr. PURCELL. On the record. I know there are many who have not been as yet able to testify. We have two bills on the floor of the House for consideration this afternoon and from all indications we can be through about 3:30, so I will ask those of you who are testifying on the wheat certificate value to be present at that time. Otherwise we will have to put the hearing over until tomorrow. We appreciate very much your cooperation and your indulgence with this kind of a schedule.

We will recess until 15 minutes after the business of the day is concluded on the legislative floor.

(Whereupon, at 12:20 p.m., the subcommittee was recessed to reconvene at 3:30 p.m., the same day.)

AFTERNOON SESSION

Mr. PURCELL (presiding). The subcommittee will come to order. We will next call Mr. Ken Kendrick, executive vice president of the National Association of Wheat Growers. And before that, I will place in the record, without objection, a letter dated April 26, 1965.

(The letter referred to follows:)

ARENT, FOX, KINTNER, PLOTKIN & KAHN,
Washington, D.C., April 26, 1965.

HON. GRAHAM PURCELL,
*Chairman, Subcommittee on Wheat, House Committee on Agriculture, Longworth
Office Building, Washington, D.C.*

DEAR CONGRESSMAN PURCELL: As you may recall, I appeared before your subcommittee during the last session of Congress on behalf of the American Plywood Association in support of legislation designed to encourage the industrial usage of wheat. We note that two measures currently under consideration by your subcommittee, H.R. 7097 and H.R. 6335, would attain this objective by exempting nonfood uses of wheat from the wheat certificate plan, and we wish respectfully to give our support to such legislation.

My client, the American Plywood Association, is the trade association for the softwood plywood industry. It is composed of some 95 firms which operate about 160 plants in the Western and Southern States, and which represent in their total production almost 90 percent of all softwood plywood produced in the United States.

The softwood plywood industry is, as you know, an important industrial user of "wheat clears," a product of the flourmaking process. The gluing, or bonding, process is, of course, an essential and critical step in the production of plywood. Since the strength or weakness of any plywood depends upon the bond holding the various plies together, great care and expense goes into the choice and application of the proper adhesive elements. The industry has been able to effect substantial savings and still assure proper performance by, in many instances, "extending" the particular glue used with high-ash-content wheat clears. Thus, the consumption of wheat clears by the softwood plywood industry in 1965 is expected to amount to over 15 million pounds.

The effect of the current wheat program, which requires the purchase of marketing certificates with respect to industrial as well as food uses of wheat products, has been to drive the price of wheat clears to the industrial user to unreasonably high levels. The softwood plywood industry would welcome the contemplated change in the law which would necessarily cause the present artificially high price of wheat clears to descend to a normal level, and thus enable the industry to cut one of its costs of production. The industry is engaged in a difficult struggle with high-production costs, narrow profit margins, and intense competitive pressure from substitute materials. It is, moreover, earnestly seeking to expand its export markets, with the enthusiastic support of the Department of Commerce. All of these considerations make the industry particularly anxious to reduce items of cost wherever possible.

We are grateful for your renewed consideration of legislation which would encourage the industrial usage of wheat in the United States, and we respectfully declare our support for the exemption of such uses from the marketing certificate requirement.

Sincerely yours,

EARL W. KINTNER.

Mr. PURCELL. Also, permission is granted our colleague, James Harvey, to submit a statement for the record which will be made a part of the record at this point.

(The statement follows:)

STATEMENT OF HON. JAMES HARVEY, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF MICHIGAN

Mr. Chairman and members of the committee, I am again most appreciative of this opportunity to renew my deep interest and concern with regard to the future success and operations of the Hercues Powder Co., because of the effect the proposed wheat legislation will have on the wheat starch-gluten industry.

Those more knowledgeable in the technical aspects of the wheat starch-gluten industry have made known to you their views on the pending bill, H.R. 7097. I believe they have presented the facts on why a change in the bill's definition of "food products," requiring payment of full certificate costs on flour going to this industry, would be self-defeating. They have made clear it would destroy the wheat starch-gluten industry.

The death of this industry would have farreaching effects and, as I so testified last September before the Subcommittee on Wheat, the future of an entire community—Harbor Beach—located in Huron County in Michigan's Eighth District which I represent, is at stake.

For you see, Hercules Powder Co., is one of the five starch-gluten producers in the United States. Its plant is located in Harbor Beach and it is the largest industry in the entire thumb area of Michigan, with an annual payroll of about \$2 million. Huron County has been classified as a depressed area by the Department of Labor. In recent months, as raw material costs soared, Hercules has been forced to cut back on operations. It simply could not continue operations at continued high losses. Employment at the plant has dropped from 500 in 1956 to around 300.

Unless legislation, as contained in H.R. 7097 for industrial users, is favorably considered then this plant in Harbor Beach will likely be closed. Hundreds of families would have thrust upon them a bleak, hopeless future. Harbor Beach, as predicted by that community's newspaper editor, would become a ghost town haunted by the unemployed and breadlines.

Let me at this time insert a letter directed to the President on the last day of 1964 by William H. Harwood, Jr., president of the Harbor Beach Development Corp. Mr. Harwood sets forth the need to keep the area's major industry going.

The letter is as follows:

HARBOR BEACH DEVELOPMENT CORP.,
Harbor Beach, Mich., December 31, 1964.

LYNDON B. JOHNSON,
The President of the United States,
The White House, Washington, D.C.

DEAR MR. PRESIDENT: As residents of Harbor Beach, Mich., we are concerned for the survival of our community which is threatened by the effects of a Government program administered by the Department of Agriculture.

As taxpayers we protest; but even more, the survival of our town is at stake since continuation of this program could close the doors of the principal industry of this area. At a time when the Government is working to wipe out poverty it seems strange to continue a program that may have such harmful effects on this community and on Huron County, an area classified as a disaster area by the Federal Government with respect to labor and industry.

The largest employer in this community, the plant of Hercules Powder Co., may be priced out of business because it is forced to pay too high a price for byproduct wheat clears, its main raw material. We understand these high prices are the result of the export subsidy paid on byproduct clears, by the Department of Agriculture under a flour export program. We also understand these clears make up over one-half of the "flour" exported under this program even though, as a byproduct, their export doesn't serve the intent of the program—the use of additional wheat.

As we understand the present status, bills were introduced in both Houses of Congress (S. 3024 and H.R. 12018) during this past session designed to give some relief to processors. Representative J. Harvey stated in a newspaper article recently that the U.S. Department of Agriculture was directed by the

House Committee on Agriculture to attempt to arrive at a solution that would provide Hercules with wheat clears at competitive prices. Harvey commented, "The key to the solution is the attitude of the Department of Agriculture."

We, the residents of Harbor Beach, Mich., and Huron County, appeal to you for your aid and support for our community and the county to help prevent our principal industry from closing its doors.

Respectfully submitted,

WILLIAM H. HARWOOD, Jr.,
President.

Gentlemen, I sincerely hope and know that fullest consideration will be given so that the definition of "food products" contained in section 104(b) of H.R. 7097 will be approved as a minimum step to aid this industry and, in turn, greatly help a Michigan community and area.

Thank you again for this opportunity to express my full support of this section of H.R. 7097.

Mr. PURCELL. We will now hear from you, Mr. Kendrick.

**STATEMENT OF KEN KENDRICK, EXECUTIVE VICE PRESIDENT,
NATIONAL ASSOCIATION OF WHEAT GROWERS**

Mr. KENDRICK. Mr. Chairman and members, I represent the National Wheat Growers. I have submitted a brief statement for the record which I will go over very briefly. I want to supplement it with a chart that I believe you have on your desk.

As you gentlemen know, reference was made this morning to establishing the historical price relationship between corn and wheat, and the period of time used was the past 10 years. This chart that you have before you goes back further than 20 years. You will notice the gap between the two lines which indicates the price differential from 1926 up to World War II, and as best we can estimate this would average out about 20 cents differential. This is a differential that the Department has set at the present time between the feed grains and wheat, representing the feeding value of each.

So we believe, Mr. Chairman, that what we are actually trying to do here is to establish the true historical price relationship between corn and wheat for industrial purposes, going back into this longer period of time.

It is difficult indeed, for me to understand, with the present price support on wheat at \$1.25, and the present price support on corn at \$1.05, that this means that corn is still priced 20 cents below the price of wheat, if you take it on a pound per pound basis, 56 pounds for corn and 60 pounds for wheat. And at that, we still note that corn is about 1.9 cents per pound and wheat is slightly over 2 cents.

As you know from previous testimony wheat for industrial purposes now represents less than 2 percent of the total market, and unless this amendment or this language in the bill is retained there is danger of our losing even this 2 percent.

We believe the present price relationship contained in this bill would give the wheat an opportunity to compete for these expanding paper products in industrial markets. Therefore, we support amendment 104 in the bill as submitted by the Department.

Thank you, sir.

(The prepared statement of Ken Kendrick with attached chart follows:)

STATEMENT OF KEN KENDRICK, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. Chairman, the ability of the American wheatgrower to produce in excess of our domestic, industrial, and export needs is a well-known fact. We now harvest only about 50 million acres of wheat; we once harvested 70 to 75 million acres. Hence, the National Association of Wheat Growers has a great interest in finding new and expanding uses of wheat and wheat products.

The committee today is concerned with industrial uses of wheat.

The 1964-65 wheat law provided that if a processor used the whole grain of wheat for industrial purposes, the wheat so used was exempt from the domestic certificate requirement. In the operation of this law experience has indicated that some processors use 100 percent of the wheat kernel for adhesive purposes in making glue, wall- and ply-board; in other cases millers ground the wheat into flour and sold some of the byproducts to be used for industrial purposes. In the first case the wheat purchased for industrial purposes cost \$1.25 per bushel, and in the second case the wheat purchased for industrial purposes cost \$2 per bushel. Oftentimes these industrial companies were making exactly the same product.

It is our understanding the language in H.R. 7097 is designed to correct this inequity. Upon proof furnished by the miller that the equivalent of x number of bushels of wheat were sold for industrial uses—the miller would then be entitled to a refund on that portion of wheat used for industrial purposes. The National Association of Wheat Growers supports this change in the bill.

To those who contend that making wheat available for industrial purposes at \$1.25 per bushel subsidizes wheat unfairly in competition with corn for industrial purposes—I would point out that corn is supported at \$1.05 per bushel which is still 20 cents below the wheat price support. This does not place wheat in an unfair competitive position with corn for industrial markets. It simply provides some opportunity for wheat to compete in the expanding paper products market. The price of wheat is still not fully competitive with corn. Even with this change wheat would be fully competitive with corn only in those areas where transportation costs to ship corn in would be prohibitive, such as the Pacific Northwest. If H.R. 7097 is passed and the certificate is increased from 75 cents to \$1.25 it is not a case of expanding our industrial uses of wheat, but rather a case of holding the markets we now have.

Although we realize the glue and paper products market for wheat is relatively small at the present time—in the 5 or 6 million bushel range, we do feel the potential of these markets in the future is rather substantial and wheat for industrial purposes should be priced to compete for these expanding markets.

In 1964, wheat starch represented a very small percent of the total starch products derived from cereal grains. Unless the industrial wheat starch uses are excluded from certification as the bill provides, wheat starch for industrial purposes will be eliminated.

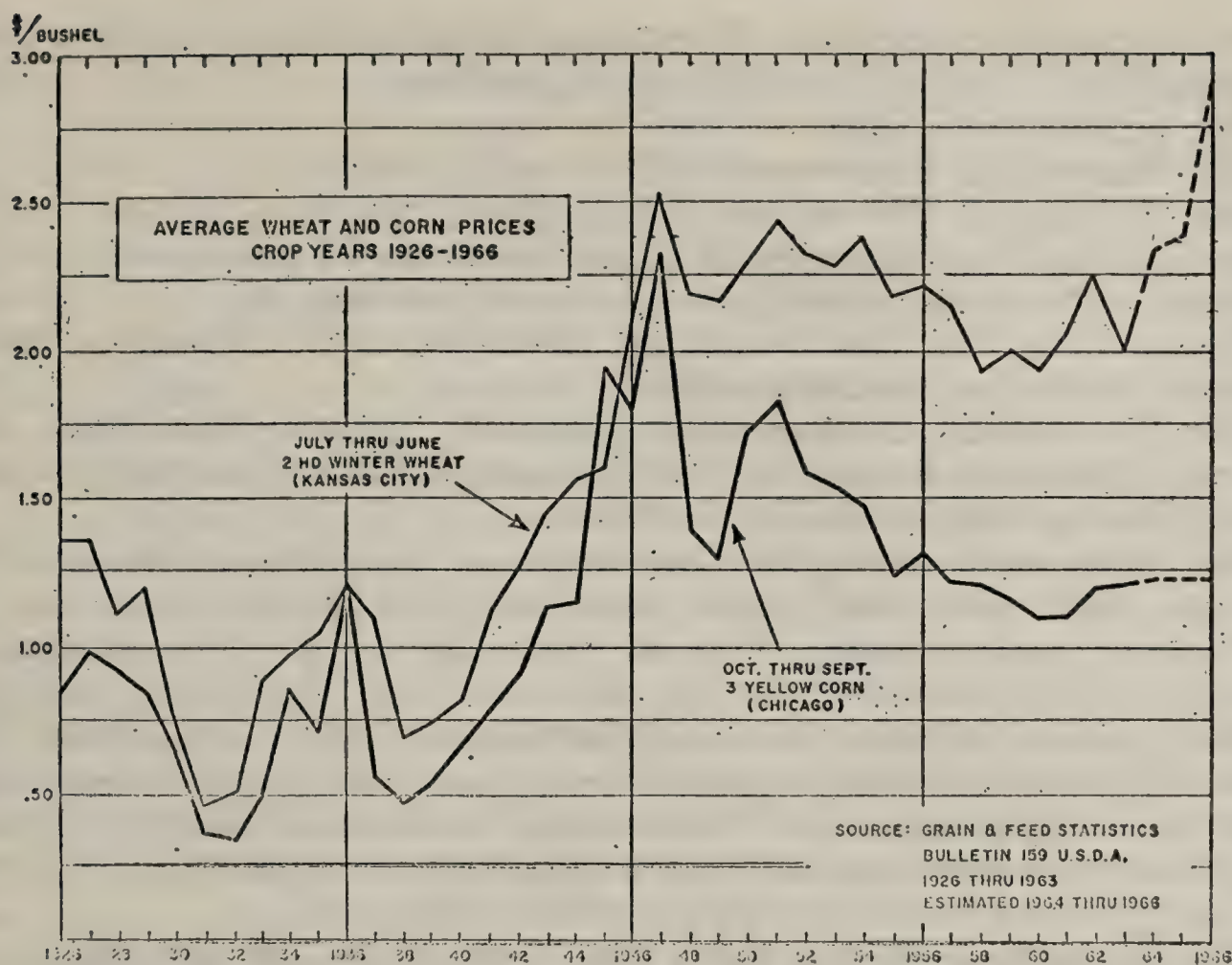
Mr. Chairman, we believe that section 104 which amends section 379d in the 1964 law, corrects an inequity and urge the committee to retain this section in H.R. 7097.

We appreciate this opportunity to appear before the committee.

Reference was made in prior testimony to the price relationship between corn and wheat. These references were limited to the price differential for the past 10 years. Prior to that time, that is between 1926 and the World War II period, as shown by this chart drawn from official statistics of the Department of Agriculture, the average price differential between corn and wheat was approximately 20 cents. The provision of section 104(b) of H.R. 7097 is a step toward reestablishing this historic relationship for industrial uses. We therefore support section 104(b) of H.R. 7097.

Mr. PURCELL. Thank you. Mr. Dole.

Mr. DOLE. I just want to ask Mr. Kendrick a question. You have been here during the testimony? Of course, the committee does not want to be in a position to penalize any industry or to give any industry an advantage. On the basis of your own knowledge and



what you have heard of the testimony in this room, is it your conclusion that we would be placing wheat in an equal competitive basis, if the amendment is adopted?

Mr. KENDRICK. Congressman Dole, I think that we would be almost competitive pricewise as I indicated, on the \$1.05 and the \$1.25 on a pound-for-pound basis, which is quite close. I do not think that it would still be absolutely competitive in all areas, but I think that it would give wheat an opportunity to recover some of the markets; that is, the industrial markets that have been lost to wheat and to be somewhat quite a bit more competitive than it has been in the past. I think that wheat would be much more competitive than it has been. I cannot see any unfair advantage; in fact, I think that there is a little advantage still for corn in this recommendation.

Mr. DOLE. Thank you.

Mr. PURCELL. Mr. Bandstra.

Mr. BANDSTRA. I understood Mr. Underhill to say yesterday that he thought it would be no competition as the result of this amendment between wheat and corn. Apparently, you do not agree with him. You feel that if we adopted the amendment there would be competition between wheat and corn for some of the so-called byproducts?

Mr. KENDRICK. I think that wheat would have an opportunity to get a little bit more, to recover some of the markets it has already lost in these fields pricewise. And as you know, Mr. Bandstra, the testimony has already revealed that the portion of the market that wheat now has is only 1.8 and we would hope that we might have it increase just a little bit; yes, sir. That is, 1.8 of the total.

Mr. BANDSTRA. I was impressed by the colloquy between Mr. Callan and the witness from the alcohol industry. I think in answer to a question that Mr. Callan asked, the witness testified that wheat would

have to go down to about 70 cents a bushel before it could be used industrially. I think he talked about gasoline.

Mr. KENDRICK. Right.

Mr. BANDSTRA. You are not in favor of 70 cents?

Mr. KENDRICK. We are not talking about gasoline. We are talking about some of the paper products, possibilities of future uses, et cetera. We are not talking about gasoline—not gasoline; no, sir. It is my understanding that that would get down to maybe 60 cents a bushel. I do not think that is ever possible.

Mr. BANDSTRA. Just one other question. Do you think that if we adopted this amendment that it would actually help the average family sized wheatgrower in the United States?

Mr. KENDRICK. Well, Mr. Bandstra, as you know, the American farmer, both the feed grain man and the wheat man has the ability to produce more than we can dispose of—both groups do. We are in the process of cutting down on this. I feel that any possible expansion of either due to exportation of wheat or domestic use, the utilization or industrial use of it—I think that there is a possibility that with this change that wheat would share a little more than 1.8 percent of the total market. It would have an opportunity—it will, certainly, have a better opportunity than in the past.

Mr. BANDSTRA. Do you think that there would be any rise in the wheat price to the farmer in the event we adopt the amendment suggested?

Mr. KENDRICK. I beg your pardon?

Mr. BANDSTRA. Would there be any rise in the wheat price—do you think there would be?

Mr. KENDRICK. I, certainly, do not think so.

Mr. BANDSTRA. That is all. Thank you.

Mr. PURCELL. Let us go off the record.

(Discussion off the record.)

Mr. PURCELL. Back on the record. We will recess temporarily to reconvene as soon as we can get back.

(Short recess.)

Mr. PURCELL. The subcommittee will please come to order.

We will now call on Mr. Albert Carlsen.

STATEMENT OF ALBERT CARLSEN, IDAHO POTATO STARCH CO., BLACKFOOT, IDAHO

Mr. CARLSEN. Mr. Chairman and members of the subcommittee, my name is Albert Carlsen, and I am a resident of Blackfoot, Idaho. I am the general manager of the Idaho Potato Starch Co. of Blackfoot, Idaho. We operate potato starch factories in Blackfoot, Idaho Falls, and Aberdeen in Idaho; and we also operate a potato starch factory in Monte Vista, Colo.

I also have been asked to represent the Menan and St. Anthony Starch Cos., the Idaho Potato Growers of Idaho Falls, and the Potato Starch Division of the J. R. Simplot Co., all of whom are manufacturers of potato starch in Idaho.

We sincerely appreciate this opportunity to appear before this committee to express the opposition, of myself and the companies I represent, to the adoption of amendment 379(d) to H.R. 7097.

I have been actively engaged in the potato starch business since 1941. I have seen many changes in the potato starch industry in the past few years, and I can assure you it is becoming more difficult each year for this industry to survive in the highly competitive general starch business.

The Congress is now considering an amendment to section 379(d) proposed in H.R. 7097. We find the proposed amendment will, in effect, make it possible for wheat millers to manufacture wheat starch and flour for industrial use from wheat subsidized by the taxpayers.

The new definitions of food products, as proposed in this amendment, will permit wheat millers to obtain wheat without paying for certificates to the extent that they market their processed product in industrial channels.

If this happens, one of the following situations could result. If the Secretary of Agriculture maintains the same total number of domestic certificates, the Government (taxpayers) will subsidize the industrial nonfood use of wheat by paying for certificates on which no money is to be recovered from wheat processors.

However, if the Secretary lowers the certificate allocation, the wheatgrower will then receive a lesser income than under the present program. In this case, it would be the wheatgrower who, through reduced income, would subsidize industrial use of wheat in competition with our starch potatoes.

In either case, the industrial processor of wheat will be subsidized.

The potato starch industry has been particularly hurt by the importation of duty-free tapioca starch, which is in direct competition with our domestic potato starch. Furthermore, since the advent of the processed potato food products, competition for our raw material has resulted in drastic increases in the cost of raw material to the potato starch producer. I have just received a report on Idaho potato processing from the U.S. Department of Agriculture Statistical Service, which indicates that during this past season, which admittedly was one of short potato supply, we manufactured potato starch to the extent of only 15 percent of the tonnage that we manufactured in the preceding year. In contrast, potato processors of food products manufactured 13 percent more than they did in the preceding season.

I call these matters to your attention to point out to you that the potato starch industry has enough problems now, and we most certainly do not need more by subsidizing our competitors with our own tax dollars.

Again, I wish to thank you for the courtesies you have extended to us in allowing us to appear before your committee. We sincerely hope you will give our views due consideration in arriving at a decision in this matter.

In addition to the statement, after listening and reading the testimony which has been presented to your committee, I should like to make a couple of observations which I hope will be of some value to you.

On page 4 of Mr. Underhill's statement he makes a statement and I quote:

The Department of Agriculture and the American farmer have a great deal of interest in the new industrial uses for agriculture products.

We do not, however, have any such great interest in the substitution of one agricultural raw product for another in the existing industrial uses. In other words, we would not advocate any change in legislation which would have as its purpose the substitution of a product made from wheat or one made from corn or vice versa.

I want the record to show that wheat starch will not only replace corn starch, but will, also, compete with and replace potato starch. The proponents have indicated that there will be very little, if any, increase in wheat or starch that would replace other starches. I would have to disagree with that statement, for the following reasons:

(a) I have been informed that the Idaho Wheat Commission has been active in trying to interest a wheat processor in manufacturing industrial wheat products.

(b) There have been inquiries and contacts made with the paper mills in the Northwest. They are our principal customers. And this has been with the thought in mind to promote the use of industrial wheat products, to replace potato and corn starches on the basis of price, proving, and in the event manufacturing facilities in the Northwest are developed.

And (c) if this amendment is to be adopted it would seem to me that the potato starch manufacturers in Idaho would of necessity then have to attempt to develop treatment of relatively cheap wheat flour to be used directly in the paper manufacturing industry, in place of corn and our own potato starches.

It would appear to me that there is not enough wheat starch available as a byproduct of the gluten manufacturing that we should be concerned with, but rather the much larger potential products from wheat flour which has been merely treated chemically for use in the paper manufacturing industry. It seems to me that this is the consensus that we have from a number of sources in the testimony we have had so far.

That is all I have, gentlemen. I will be glad to answer any questions if I can.

Mr. PURCELL. Thank you. Are there any questions?

Mr. CALLAN. You do not say that the wheat producers should not have the right to compete in this market, do you?

Mr. CARLSEN. I should say not.

Mr. CALLAN. At what price would you say that wheat would have to be so that the wheat producer is not getting an unfair advantage and the corn producer is getting the same break—what do you say that it ought to be?

Mr. CARLSEN. I am not conversant enough with either wheat or corn to know what they would have to pay to be competitive with us. I do know this, and I think everyone will agree, that fundamentally, if you have a competitor and he suddenly has to pay less money for his raw materials than he had to pay before, he is going to be more competitive than he was before, to the extent of that payment.

Mr. CALLAN. You do not know what the price should be—do you think that it is competitive right now?

Mr. CARLSEN. I can say this, that the Wheat Commission of the State of Idaho, or at least, some members of the commission feel that if this amendment were passed, they have interested people to this extent, that if it were passed there is not any question in their mind but what they would be, and both corn and wheat, for that matter, as we all know, do have subsidies. We do not happen to have.

Mr. CALLAN. But you do not have any figures to show at what price wheat needs to be to make it unfair competition?

Mr. CARLSEN. No, sir; I do not.

Mr. CALLAN. Thank you.

Mr. PURCELL. Mr. Latta.

Mr. LATTA. Following Mr. Callan's question you say that it would be an unfair advantage if some competitor had to pay less for his raw materials, is that it?

Mr. CARLSEN. Certainly.

Mr. LATTA. Let us turn that coin over and say that suddenly he has to pay more for his raw material, then what?

Mr. CARLSEN. If he has to pay more, he is less competitive.

Mr. LATTA. Who benefits, his competition? That means your industry will benefit, is that right?

Mr. CARLSEN. I would think so, if he has to pay more—this is correct.

Mr. LATTA. There are two sides to the coin then?

Mr. CARLSEN. There is no question about it.

Mr. LATTA. And if the Congress should decide to increase the price, or the value of these certificates, we would be adding to the cost of the raw material for those who use wheat, is that correct?

Mr. CARLSEN. If I understand the proposition correctly, if the program works as the Department of Agriculture intends it to work and as the President said that it would work, then the difference in this cost is supposed to be paid by the food industry, by the purchaser of the bread.

They have said something like a cent for a loaf of bread—will not the difference be picked up there?

Mr. LATTA. This would not apply to millers. We are talking about industrial uses, such as starch and nonfood items.

Mr. CARLSEN. There is no question if his costs go up, he is going to be less competitive than he was before. By the same token, if the costs go down, he is going to be more competitive.

Mr. LATTA. What we are concerned about—and I am sure that what the Department is concerned about, is the importation of a product of wheat.

In answer to the question of Mr. Callan you said that you do not know or you have no suggestions to make as to what this committee can do to make certain that your industry does not get an unfair advantage or disadvantage and that the others do not, either.

Mr. CARLSEN. I would not know at what level, no sir. I do know this, that if this amendment were passed on the basis of the information that I now have they would have an advantage which they do not have today. I do not think that there is any question about that.

Mr. LATTA. Let me ask you this question then: You made the statement in your testimony for the record that this amendment will, in effect, make it possible for the wheat manufacturers; that is, make it

possible for wheat millers to manufacture wheat starch and flour for industrial purposes and be subsidized by the taxpayers.

Would you care to elaborate on that? It would be for industrial purposes that they would use the wheat for, without certificates, as I understand it. They would be paying what would be the world price for it. How would the taxpayers be subsidizing this?

Mr. CARLSEN. Frankly, I cannot personally see how you can have anything but an artificial price on wheat or any other commodity, for that matter, that is subsidized to the extent that it is. In other words, part of the wheat which is not under certificate, its price is affected by that portion which is under certificate. And, therefore, the whole program in a sense is subsidized. I am not saying that it is wrong, but I am saying that it is not the thing to have.

Mr. LATTA. Thank you. That is all.

Mr. PURCELL. Mr. Heimbürger.

Mr. HEIMBURGER. Mr. Carlsen, just to be sure that I understand you correctly, did I understand you to say that as far as you were concerned you would not object to some language in the new law which would permit the gluten starch industry to continue in business; that what you fear is that it would let the bars down for the larger use of wheat flour solely for starch purposes through chemical means?

Mr. CARLSEN. Certainly, that would be much more serious to our industry. In other words, the status quo. We can learn to live with that, but it is what could happen afterward. I think I am inclined to think that we have opened the door to something much larger than we thought we were opening the door to.

Mr. HEIMBURGER. I was interested in this part of your statement, particularly, because today sometimes for the first time did I learn about this larger possibility of wheat millers taking their whole output of flour, and by chemical process transforming it, so that it could, at least, be used for starch purposes. Thank you very much.

Mr. PURCELL. Following up on Mr. Heimbürger's statement, are you familiar with this chemical processing of wheat flour to make it usable for gluten and the like?

Mr. CARLSEN. Only to the extent that there has been work done on it. I can assure you that if this passes we will be more familiar with it than we are today. We will have to look into it. I am not thoroughly familiar with it, no.

Mr. PURCELL. My understanding is that what would happen is that it would prevent it from being used in food, the product that is needed for these manufacturing or commercial uses.

Mr. HEIMBURGER. I wish I could really inform you on this, Mr. Chairman. I cannot, except that I was told late this morning some time that there is a chemical process by which a flour miller, should this blanket exemption for nonfood uses go into the law, by which a flour miller could take his whole output of flour, and by some relatively cheaper process turn it into a starch, or, at least a starchlike product which could be used competitively with cornstarch and existing wheat starch.

Mr. PURCELL. You do not remember from whom you learned this?

Mr. HEIMBURGER. I am not quite sure. I talked with so many people here today. I am not quite sure where this general information came from. If this is true, this puts a little different aspect on the thing.

Mr. PURCELL. I realize that we are not helping the workers much—this colloquy. My understanding is that by adulterating it deliberately so that it cannot be used for human consumption, that you would then have a cheaper product but you would not get any more gluten out of it by doing this, than if he had not.

Mr. HEIMBURGER. There would not be any gluten out of it at all, as I understand it. That is, if this other process were used. It would all wind up as starch—some kind of starch.

Mr. PURCELL. Maybe we had better talk to somebody about this who knows more about it than we do.

Has the raw product price that you use for your manufacturing purposes gone up during this year?

Mr. CARLSEN. I should say so. We used to be buying for 45 to 50 cents a hundred and it has gone up to \$1.02 a hundred this year. As a consequence, we made very little potato starch.

Mr. PURCELL. What effect has that had on your manufacturing of potato starch?

Mr. CARLSEN. It has curtailed it considerably. Potato starch historically has been a starch where there is considerable quantities made in surplus years and very little made in a short year. We have inventories to carry us over those years.

Mr. PURCELL. Do you know how high wheat would have to get before it would have the same competitive effect to you that your potato prices are having against your old prices?

Mr. CARLSEN. I think that it is out of the realm of reason, because we do not use \$2.50 potatoes to make starch with. I say that the price of that particular potato was that high, but we did not buy any for that purpose. After we get over 45 or 50 cents for potatoes for starch we stop. This year you are going to ask, "Where did you get your product from?" This year we imported potato starch.

Mr. PURCELL. And when you say 45 or 50 cents or \$2.50, now, are you speaking of 100 pounds or a bushel?

Mr. CARLSEN. One hundred pounds.

Mr. PURCELL. Not 50 bushels?

Mr. CARLSEN. No, per 100 pounds. This is the first time in 25 years. This is very unusual, such a situation.

Mr. PURCELL. To all intents and purposes, then, the wheat farmer will be competition if he gets more for his wheat?

Mr. CARLSEN. There is no question about it.

Mr. PURCELL. Are there any other questions? If not, thank you very much.

(Whereupon, at 4:30 p.m., the committee proceeded to other business.)

INDUSTRIAL USERS OF WHEAT

WEDNESDAY, MAY 26, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WHEAT OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to call, at 11:30 a.m., in room 1304, Longworth House Office Building, Hon. Graham Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell, Stubblefield, Foley, Redlin, Callan, Belcher, Latta, Dole, and Findley.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; and John Heimburger, general counsel.

Mr. PURCELL. The committee will come to order.

We want to hear first from those present who are interested in the industrial use of wheat. We heard from a few of the wheat people last night. We will hear from anybody else who is here this morning with regard to that section of this part of the bill.

Mr. HEIMBURGER. Mr. Chairman, somebody from the Miller's National Federation is here.

Mr. PURCELL. Who is here from the Miller's National Federation?

Mr. MEWHINNEY. I am, Mr. Chairman.

I would like to ask Gordon Boals to appear with me.

Mr. PURCELL. Mr. Mewhinney, last night, it was not the intention of anybody to cut anybody off. We were very harsh with those who were here in making them be brief. We feel it only fair that we be equally harsh on you and ask that you be brief.

STATEMENT OF FRED MEWHINNEY, MILLER'S NATIONAL FEDERATION, ACCOMPANIED BY GORDON P. BOALS

Mr. MEWHINNEY. I think we will be very brief. I think about all we have to say is in the nature of a reiteration of what we had to say in the telegram, which I believe all of you have received. I could read it but I imagine all of you have read it by now. The only thing I could add is that it has been the federation's policy, as established by our agriculture committee and then approved by the board of directors, to support the language in section 379d(d) of the administration's bill, H.R. 7097, insofar as it concerns the definition of food products.

As Mr. Carl Farrington testified on April 29, we think this language is a step in the right direction; it will tend to free industrial flour from certificate liability so that it can continue to move into industrial uses. We think this is almost a question of equity, especially in view

of the rather high levels to which wheat prices will go in 1966. We are quite convinced that with a \$2.55 price per bushel of wheat, it would be almost impossible to move any flour into industrial use without some sort of an exemption. That is what we are asking for in connection with all industrially used flour.

Mr. PURCELL. Let me ask you one question, please, sir.

In my understanding of the proposed compromise, this would not affect in any way the use of wheat in outright industrial usage. By that I mean, if you take the wheat berry, as I think you experts call it—I thought it was a kernel of wheat, but I hear it is a berry——

Mr. MEWHINNEY. I call it a kernel, too.

Mr. PURCELL. If you take the wheat berry as such and process it in such a way that there is no human food product made from it, glue or any other product resulting therefrom is exempt, has been and will be, even under the proposed bill. Is that your understanding?

Mr. MEWHINNEY. Yes, sir, it is. But I think as a practical matter, getting back to price levels for wheat, it would be completely uneconomic and as I say, perhaps impossible, to move wheat, especially the whole wheat kernel, so to speak, into industrial markets at a \$2.55 per bushel price level. If we can sell our patent flour at food price levels, then we can move clears, when exempt, into traditional industrial markets. The compromise, as I understand it, would restrict those industrial markets to starch-gluten manufacture and to a specific poundage limitation. It would tend to take away or give us very difficult access to existing glue extender markets, paper sizing, and other such industrial uses.

Mr. PURCELL. Where does the paper sizing and the gluten, if that is the correct terminology, used in plywood, for example, come from? Does it come from what I will call a byproduct of flour or does it come from an industrial process that the whole kernel of wheat is used for?

Mr. MEWHINNEY. My understanding is it comes from both sources. In certain parts of the country, straight flour, in accordance with the regulations, can be denatured and sold as glue extender flour; in other areas and for other purposes, clear flour is used. This is especially true of the starch-gluten industry, which I believe requires clear flours.

So to answer your question, I think it is a combination of both. As of now, we can move straight flour into industrial uses with certain problems that I would like to refer to later when denatured. But we cannot move clears into any industrial usage unless the patent flour from which the clear is taken is also moved into industrial use and this is not economically feasible.

Mr. PURCELL. I can get involved in the use of clears and something else, but I do not know a clear from anything else when I see it.

Is it not true, then, that by just denaturing the leftover from straight milled flour, then without certificates, that product can be used for whatever industrial use you want to make of it?

Mr. MEWHINNEY. That, too, is correct, Mr. Chairman. But as we say in the telegram, most millers—I cannot give you any figures on it—are unwilling to denature flour. The denaturing process consists

of adulterating it in such a way that it becomes unfit for human consumption. It involves bringing into a food plant lamp black or ground pecan shells or walnut shells. As far as I know those are the only two denatured permitted now. Millers are generally unwilling to do this.

I was authorized this morning in behalf of the Hardwood Plywood Manufacturers Association to state for them that they have been unable to obtain enough denatured flour; that they have gone to many mills and the mills are simply unwilling to produce this adulterated flour. I believe you will receive a telegram from the plywood association.

Mr. PURCELL. I have just one other question.

As I understand the position of your organization, you are opposed to the certificate plan on wheat from beginning to end. This does not change your position on that?

Mr. MEWHINNEY. No, sir.

Mr. PURCELL. You are for the alteration of the law to the extent of making glue people get by without certificates and not having to buy them, but that does not make you for the bill itself?

Mr. MEWHINNEY. No, sir; it does not. As Mr. Farrington testified, we are opposed to the bill, but if there is to be a bill, we agree with the Department's proposed new language. We would like to see it in there because it would remove a good bit of hardship.

Mr. PURCELL. Are there any questions?

Mr. LATTA. Mr. Chairman, with reference to this so-called compromise we have talked about, are you for or against that.

Mr. MEWHINNEY. Mr. Latta, I have only heard about it; I am not sure I know exactly what the compromise is.

Mr. LATTA. That answers my question. You are not familiar with it.

Mr. MEWHINNEY. I can tell you what my impression is. It is that an exemption would be granted to second clear flour over one ash to be used in the manufacture of vital wheat gluten and starch with a maximum poundage limitation for those uses of 80 million pounds of starch per year. If that is the compromise, we are completely opposed to it.

Mr. LATTA. That is all.

Mr. PURCELL. Let me just follow that up with one more question: What is the total use of this product now in the industry?

Mr. MEWHINNEY. Of this product?

Mr. PURCELL. I get involved whether it is flour, clears, or what it is, but this proposed compromise would limit the use of whatever we are talking about to 80 million pounds. My question is how much of this product is now being used in industry?

Mr. MEWHINNEY. My understanding is that total usage of wheat clears by the starch-gluten industry now is about 2 million hundredweight—2.2 million hundredweight per year, as compared with total annual production of flour of about 265 millionweight.

Mr. PURCELL. Will you repeat that figure?

Mr. MEWHINNEY. 2.2 million hundredweight of clear flours consumed in 1962-63 by the starch-gluten industry.

Mr. HEIMBURGER. You might have him translate that into pounds, Mr. Chairman, since that is what we are dealing with.

Mr. MEWHINNEY. I believe this figure translates into about 40 million pounds of starch presently produced by the starch-gluten industry.

Mr. PURCELL. My understanding of this so-called compromise is that the 80 million pounds allows for about twice the use of this product that has now been used. Do you agree with that?

Mr. MEWHINNEY. Yes, I do. As I understand it, the compromise is based on the assumption that the starch-gluten industry can and will double their production, or it certainly would provide the leeway for them to do so if they can. I also understand that one of the limiting factors in increasing production in that industry is the market for gluten, which I understand is not susceptible of rapid increases. So whether or not there would be as great an increase in the use of clears by this industry, as suggested by the 80 million pounds, I am not sure.

Mr. PURCELL. Then you and I agree—let me say that you agree that my understanding is correct, that now there is being used about 40 million pounds. This so-called compromise provides for allowing the use of about 80 million pounds. Is that correct?

Mr. MEWHINNEY. Yes, sir; it would place that——

Mr. PURCELL. It allows for twice as much product being used in this way as is now being used, is that correct?

Mr. MEWHINNEY. Yes; that would be correct if it should go to that level.

Mr. PURCELL. Now, then, you do not feel that this is enough expansion of the people that you are associated with to be fair, is that right?

Mr. MEWHINNEY. No, sir; we do not, primarily because this is only one market. There are a number of other industrial uses, pet food uses, and so forth that we feel would be completely eliminated.

Mr. PURCELL. This is the only part that is being affected by this proposal.

Mr. MEWHINNEY. As compared with the proposed language of the Department, this compromise proposal would eliminate all markets other than the starch-gluten market; and although that might double, conceivably, we would tend to lose sales to the plywood industry, the furniture industry, paper sizing, and so forth. This is so because the compromise, as I understand it, is based on the existing definition of food product, which excludes all of these products from an exemption, even when they are used industrially.

I, perhaps, am not making myself too clear.

Mr. PURCELL. Well, let me express what I would be interested in, only speaking for myself, as far as hoping that some compromise could be worked out without doing damage to any other segment of the industry. Of course, what we are interested in, what I am interested in, is support of or at least nonopposition to a bill that is basically good as far as I am concerned. Now, then, my hope was that by allowing the corn people and the wheat user people to work out some compromise when we got the support up for the corn users, at least it would not have their opposition. Now, then, you were opposing to start with, you are still opposing and are going to oppose, and I am not sure I understand how you are hurt from this proposal.

Mr. MEWHINNEY. At the present time, we have a number of industrial outlets, including starch-gluten. As I understand the com-

promise, it would take away, or have the effect of taking away, all but the starch-gluten. It would be almost impossible, I would say, for any flour or clears—well, I should say clears, to move into any industrial markets, other than this one.

Furthermore, access to the starch-gluten industry, which is quite small in terms of its geographical location and numbers, would be very limited in terms of the mills which could sell to that industry, on the other hand, the plywood industry is located throughout the South. We have many mills in the southeast, many in the Midwest and on the west coast, too, who have direct access under proper conditions to these users. If these markets are eliminated, the only market left would be the starch-gluten market.

I do not know how many starch-gluten plants are involved or in how many locations, but it is just a few, and freight rate problems and others dictate that sales to the starch-gluten people would be limited to just a few milling companies.

Mr. PURCELL. All right.

Mr. Callan.

Mr. CALLAN. You mentioned pet food. Do you think that the way the law is written, you would have to buy the certificates for that amount of flour or wheat that is going into pet food?

Mr. MEWHINNEY. As it is now, we do. Under the Department's proposal, my understanding is that we would not, on the grounds that it is nonfood.

Mr. CALLAN. You do buy the certificate, whether it is human consumption or any type of consumption, for pets, you do have to buy the certificate now?

Mr. MEWHINNEY. We have to pay the certificate. The language of the present law is such that certificates are required on flour, semolina, and similar terminology, regardless of end use, including pet food and industrial uses.

Mr. CALLAN. Under this compromise, do I understand correctly that if you have a plant where you are taking wheat and processing it into glue, that then you do not have to buy the certificates?

Is that right, John?

Mr. HEIMBURGER. My understanding is, Mr. Callan, that under the present law and regulations, if the entire output of a plant is devoted to a nonfood use, this is exempt from certification.

Mr. MEWHINNEY. I might say not necessarily the entire output of the plant, but the entire output from a given lot of wheat. If the total lot of wheat goes for nonfood uses, then it can all be exempted. In addition, if the straight flour portion is denatured in such a way that it can no longer be considered food, then the exemption also applies to the entire lot of wheat from which it came.

Mr. HEIMBURGER. Thank you. I am sure this is more accurate and I am glad to have that amplification.

Mr. CALLAN. You mean a miller could take, say, two or three carloads of wheat and process it directly for industrial uses and not pay any certificate?

Mr. MEWHINNEY. That is right; but I must say, it is completely uneconomic to do so at current wheat price levels.

Mr. CALLAN. You mean you could not make a run, take two or three carloads of wheat and make a run through your plant and designate that for commercial use?

Mr. MEWHINNEY. We could, but as I say, I think it is highly uneconomic. I think if it were possible, it would have been done a long time ago. The miller has to recover something from the food portion of the wheat, and obviously, it is a higher quality portion of the product and it brings in a higher price. This then permits them to sell clears or in some cases a straight flour at a low wheat price, for industrial use.

Mr. CALLAN. In other words, \$1.25 or \$1.45 wheat is too high for you to go into that program unless you could extract something from the wheat before you start using it for these industrial uses?

Mr. MEWHINNEY. That is right.

Mr. PURCELL. Mr. Dole?

Mr. DOLE. I just want to ask two questions.

First, were you consulted about the compromise? Did you discuss any compromise with anyone?

Mr. MEWHINNEY. I heard about it on Friday, Mr. Dole.

Mr. DOLE. But you did not participate in the discussions leading up to the so-called compromise?

Mr. MEWHINNEY. No, sir.

Mr. DOLE. Then the language that you prefer is language that now appears on page 11 of this draft or revised draft of the wheat bill?

Mr. MEWHINNEY. I have to confess I have not seen that.

Mr. DOLE. Well, it is 379(D) (d) :

As used in this subtitle, the term "food products" means any product totally or in part of wheat to be used for human consumption, including beverage, as determined by the Secretary.

Mr. MEWHINNEY. Yes, sir.

Mr. DOLE. That is the language you have been referring to as being preferred over the other compromise?

Mr. MEWHINNEY. Yes.

Mr. DOLE. That is all.

Mr. PURCELL. In regard to your not knowing about it, is it not true that some officer of your association obviously knew about the discussion that has been going on?

Mr. MEWHINNEY. That is my understanding, Mr. Chairman. I do not know when he knew about it. My first information came from him on Friday. Whether he first learned about it on Friday or before that, I am not sure.

Mr. PURCELL. Do you have any questions, Mr. Heimburger?

Mr. HEIMBURGER. Mr. Chairman, I would just like to refer again to a question you asked the witness.

As I understand it, Mr. Mewhinney, the position of the Millers' National Federation is that you are opposed to the wheat provisions of the farm bill; is that correct?

Mr. MEWHINNEY. Yes, sir.

Mr. HEIMBURGER. And the acceptance by the committee of your position on this so-called compromise amendment would not change your position on the wheat bill? You would still be opposed to the wheat bill as a whole?

Mr. MEWHINNEY. Yes, sir.

Mr. DOLE. I do not feel it makes any difference about the bill and I not suppose the corn people really care about the bill, either. This argument is extraneous and immaterial.

Mr. MEWHINNEY. As I said before, our feeling is that if there is to be a bill, we would certainly like to have it in a form that would impose least hardship on us.

Mr. HEIMBURGER. You mean you think that your opposition may not prevail?

Mr. MEWHINNEY. You might say that.

Mr. PURCELL. Thank you very much.

I would like to hear very briefly from the Great Plains people with regard to what has been discussed last night and this morning.

For the record, state your name and say whatever you want to say.

STATEMENT OF RICHARD J. GOODMAN, ECONOMIST, GREAT PLAINS WHEAT MARKET DEVELOPMENT ASSOCIATION

Mr. GOODMAN. My name is Richard J. Goodman, economist for Great Plains Wheat in our Washington office. Our president and director of utilizations authorized me to give this statement.

Mr. Chairman, I believe you received a telegram or the committee received a telegram from Mr. Hardy, I think yesterday.

Mr. PURCELL. Yes, sir.

Mr. GOODMAN. This is in extension to that. The statement is that Great Plains Wheat, Inc., strongly opposes any quantitative limitations on uncertificated flour used for industrial purposes. Quantitative limitations on uncertificated flour to industrial users is definitely, in our view, discriminatory to the wheat industry, including wheat-growers, in the fact that such legislation would limit available supplies to industrial users and uniform prices. Research on wheat carried on by the Agricultural Research Service of the Department of Agriculture, other public agencies and industries groups is improving new outlets for wheat and wheat byproducts in the field of industrial production. New processing facilities are contemplated to utilize wheat and the byproducts of wheat in several newly developed industrial product lines provided materials are made available at uniform prices. We therefore urge the committee's usual thoughtful and careful consideration of the opportunities to increase wheat utilization.

Mr. PURCELL. Any questions of this witness?

Mr. DOLE. This is a telegram—you have just read the telegram, Mr. Goodman?

Mr. GOODMAN. No; I got this on the telephone this morning. It is a statement. I have copies of it for the record.

Mr. DOLE. It will be made a part of the record, then?

Mr. GOODMAN. Yes, sir.

Mr. REDLIN. Do I interpret your testimony to mean that you believe the original version of the bill relating to this subject is what you are supporting?

Mr. GOODMAN. As I understand it, sir, the Great Plains did originally, at the outset, support the first proposal of the administration. We still support that. If in fact it is necessary to redefine the limita-

tions to clears, that may be all right, but we are against any quantitative limitation in either case.

Mr. PURCELL. Thank you.

Mr. Heimburger, do you have any questions?

Mr. HEIMBURGER. Mr. Chairman, I would like to ask Mr. Goodman a question or two.

Mr. Goodman, you have heard the statements made here this morning that under the present law and regulations, wheat may be used for industrial purposes without certificates where the entire lot of wheat is used for that purpose, whether it is a lot run through a plant devoted to other purposes or wheat to a plant which is devoted exclusively to industrial uses.

Now, the so-called compromise which was presented to the committee last night expands this use somewhat, does it not?

I think it does. I assume you would agree, that perhaps minutely, but at least it expands this use somewhat. It permits some wheat which is run through a combined process where part is used for food and part is used for nonfood purposes to be exempted from paying the certificates for the nonfood part.

Now, the thing that concerns me about the Great Plains position on this thing, and I must confess it does bother me somewhat, is the overall approach to it. This so-called compromise that was presented last night was worked out by the people directly concerned at the suggestion of committee members for the purpose of eliminating, if possible, a rather important source of opposition to this bill in which I know your organization is very much interested. This source of opposition was the corn mills. They were opposed to the language in the bill as set up by the Department and indicated that they intended to oppose the whole wheat portion of the farm bill on this basis. The committee, believing that this is an important bill for wheat farmers, tried to eliminate this source of opposition. This was the very basis of the reason for trying to reach a compromise.

Now a compromise has been reached and I am just a little surprised, I must admit, at your organization, for which I have a great deal of respect, alining itself with an organization or organizations which are opposed to the whole bill in an effort to defeat this compromise, which was suggested solely for the purpose of eliminating opposition to this bill of importance to wheat farmers.

Mr. GOODMAN. I think perhaps some clarification here is in order. First of all, we as a market development organization, by necessity of State-enabling legislation, do not have a position on this bill or any other bill. I believe that the telegram from Mr. Hardy stated that we are opposed to any quantitative limitations in any wheat legislation. We do not support and cannot legally support farm program legislation. We are here to testify that if there is going to be legislation, we do not want quantitative restrictions in the use of wheat byproducts in industrial uses.

Further to that extent, I would say this, that we have devoted a considerable amount of our time and resources to industrial uses of wheat; that is, promotion of research in this field. As a practical matter, any kind of development in the use of wheat will probably have to begin by the use of some byproduct of the milling industry whose primary outlet will be for food. I think that is going to be true in

most of the possibilities that exist now. Maybe one day, many of these things will be done from raw wheat in its total form.

However, we feel that in the case of what has been done at Peoria and in other places, initially it will have to depend on the availability of clears or some other fraction of flour for food use in order to get off the ground. This is why we are concerned with the limitation. We believe that it would dampen the enthusiasm for further research, particularly in private hands, in this regard.

Mr. HEIMBURGER. Well, it will not dampen it any more than not to have any exemption for this, will it?

Mr. GOODMAN. We, of course, are testifying here relative to the merits of different alternatives which do not exist in the present bill. There was the original position of the Department of Agriculture; there was the second alternative to that; and now as I take it, from last night, there is a third alternative. As we understand the third alternative, we are opposed to that relative to the first two.

Mr. HEIMBURGER. I do not reconcile your policy that you do not take a position on legislation, with your position on this proposed amendment. But I will not quarrel with that.

But I must repeat that I am surprised to find that your organization, which represents basically producers of wheat, has here alined itself with an organization which has stated again today that it is opposed to the whole wheat bill, in an effort to defeat a compromise which we believe would get votes for the bill.

That is all, Mr. Chairman.

Mr. PURCELL. Thank you, very much.

We will hear from the Department of Agriculture now.

STATEMENT OF ED JAENKE, ASSOCIATE ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE; ACCOMPANIED BY CLAUDE T. COFFMAN, OFFICE OF GENERAL COUNSEL; AND WINGATE UNDERHILL, ASSISTANT TO THE UNDER SECRETARY

Mr. JAENKE. I have Mr. Underhill and Mr. Coffman from the Department with me.

Our concern and the action which prompted us to recommend a change in the existing bill has been explained on several occasions. I think I did so once, and I think Mr. Underhill did so on another occasion. We felt that the operations under the law now on the books have brought about some inequities which we think should be remedied. Our experience with existing legislation has shown us that we can make an improvement. Hence, in the initial bill which the chairman introduced, we proposed a change in the language, which we thought would accomplish this.

After discussion, some questions were raised and some rather strong and violent opposition was expressed on this particular point. You asked us to work with John Heimburger, your counsel, and try to work out something which we thought would be fair and would overcome the opposition that had arisen. We did this and arrived at what I might call the first compromise. We are prepared, as we were before, to support this amendment and believe that we can operate under it

without any difficulties. We still think the earlier version has some merits, but the first compromise does not destroy those.

We learned late last week or early this week of a new compromise that had been worked out. We also learned that not all of the parties who had a stake in the matter were involved in this. This gives us some concern.

Even more important—last evening, when we heard the testimony and read the new language, we became very much concerned about a limitation to be applied. I shall not speak to the question of whether the limitation is too high or too low.

On principle, we oppose that limitation. We oppose it for several reasons:

No. 1, we are talking in terms of a bill for just a relatively short number of years. If it is true that actual usage is much below the proposed limitation, then there is no need for this limitation. But, more basically, the Department is involved in research at four or five points throughout the country to develop new industrial uses for agricultural commodities.

We have been accused in the Department over a number of years of being too slow in moving in this area of research. There have been a number of bills introduced by the Congress to get us to move faster. The appropriations committees repeatedly give us more money to try to find more and new uses for surplus commodities. The Secretary is going to visit Peoria, Ill., on Friday and review the type of work that is being done out there. We think that any action by Congress to place a limitation on the potential use that could be made of a particular commodity, whether it be wheat or cotton or feed grains or dairy products, or anything else, at the same time that the Congress is urging us—and we concur in this—to try to find new uses, would be wrong.

With regard to the remainder of the language, we certainly would hope that the industry, all the parties involved, could participate and try to get together and work out this problem. We hope that we shall get a chance at least to look at the compromise before final action is taken in order that we might review it from the standpoint of administrative feasibility and from the standpoint of its effect upon producers in the long run.

This summarizes our position, sir.

MR. PURCELL. Mr. Dole?

MR. DOLE. Mr. Jaenke, would you run through how the first compromise differs from the second compromise?

MR. JAENKE. Yes. If I might, I would like to ask Mr. Underhill, who has followed this, and is very familiar with it, to answer that question.

MR. UNDERHILL. The so-called first compromise would have continued the legislation of the existing law, with a parenthetical exception that I would like to read:

Excluding flour clears not used for human consumption as determined by the Secretary.

With that legislation, any amount of clears without limit, if not used for human consumption, would be exempted from certificates.

Now, the phrase "as determined by the Secretary" would make it possible to prorate the use of clears; in other words, if starting with clears as the raw material products were under 50 percent of which

were used for human consumption and 50 percent were used for non-human consumption, then the certificate liability would be only 50 percent.

The second compromise would continue the same type of exemption except that the flour clears would have to have an ash content of 1 percent or more—roughly that means second clears and excludes first clears from the exemption. The exemption would be applicable only to a process that turns out both vital wheat gluten and wheat starch. So that limits the exemption to certain processes rather than to any process using wheat clears, as in the original compromise.

Also, the exemption applies only to wheat starch not used for human consumption as compared with the original compromise which applied to any product made from clears not used for human consumption.

The fourth difference is that it contains a maximum of 80 million pounds per year of starch which would be eligible for the exemption.

Mr. DOLE. Apparently there was objection to the first compromise from some segment?

Mr. UNDERHILL. My understanding is that the corn millers objected to the first compromise.

Mr. DOLE. That is the one with the 50-percent provision?

Mr. UNDERHILL. The 50 percent was only an illustration that I used.

Mr. DOLE. Thank you.

Mr. PURCELL. Any other questions?

Mr. FOLEY. As I understand it, the Department still supports the original language in the bill or compromise No. 1?

Mr. JAENKE. Yes, sir.

Mr. FOLEY. Either one?

Mr. JAENKE. Yes, sir.

Mr. FINDLEY. Mr. Jaenke, do you anticipate administrative problems in administering the latest compromise, which would have the quota limit?

Mr. JAENKE. Yes, sir. Recognize, now, that we really did not have a chance to study this until just the last day or so, but I might read a memo that some of our technical people provided, working with Mr. Underhill yesterday.

Difficulties with the third version are as follows: We would probably have to require that all clears used by processors be analyzed as to ash content, since the legislation limits the exemption to flour clears having an ash content of 1 percent or more.

There obviously would be some problems here.

No. 2, the 80 million pounds limitation would be difficult to administer in that it might require adopting a cutoff at some point during the year or an allocation.

Now, if the data we heard this morning are correct and the use of flour clears is considerably below the limitation, we might not be faced with this difficulty for some time.

Mr. FINDLEY. Thank you, Mr. Chairman.

Mr. PURCELL. Thank you, very much.

The committee will go into executive session, but I would like to have the members from the Department remain in the room for a couple of questions with regard to another item.

First, however, we shall hear from Hercules Powder Co.

**STATEMENT OF WILLIAM C. GORDON, LEGAL DEPARTMENT,
HERCULES POWDER CO., WILMINGTON, DEL.**

Mr. GORDON. I am William Gordon, Hercules Powder Co. I make this statement on behalf of all members of the wheat starch gluten industry, with the exception of Midwest Solvents Co. Midwest has indicated they do not oppose the legislation—the compromise proposal—but are not actively in support of it. All other members of the wheat starch gluten industry are actively in support of the compromise, because we realize, as the only industry affected by this definition of food products, seriously affected by it, unless some compromise is reached, we might find ourselves ground between the two stones of, on the one hand, the flour miller's interests and the other, the corn interests. We are anxious to preserve an existing industrial use of wheat. There have been some references to possible future uses of wheat, but I hope the committee will help us to survive as an industry and I again repeat, we are the only industry that is seriously affected by this legislation. Every other industrial user has available to it either raw wheat, as Mr. Heimbürger said, or flour that is denatured.

I might further add that in checking on denaturants, we find those denaturants can go far beyond lampblack and walnut or pecan shells, but it is a matter of working it out with the Food and Drug Administration. Were we in the position of some industrial users anxious to make use of uncertificated flour, I am sure that we could find a way to do that. But without legislative action, we can find no way to stay alive.

Mr. PURCELL. Thank you, very much.

The committee will go into executive session.

(Whereupon, at 12:15 p.m., the committee went into executive session.)

CROPLAND ADJUSTMENT

MONDAY, MAY 10, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION AND CREDIT
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 1301, Longworth House Office Building, Washington, D.C., Hon. W. R. Poage (chairman of the subcommittee) presiding.

Present: Representatives Poage, Gathings, Stubblefield, Greigg, Callan, Harvey of Indiana, Teague of California, and Dole.

Also present: Representatives Jones of Missouri, Purcell, Foley, Redlin, Bandstra, O'Neal of Georgia, and Quie.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; and John J. Heimbürger, general counsel.

Mr. POAGE (presiding). The subcommittee will please come to order.

We have met this morning to consider title V, the cropland adjustment section of the general farm program. The Department officials are here to give us their views on this. Mr. Godfrey, the Administrator of the ASCS is with us this morning and we will be glad to hear from you now, Mr. Godfrey.

**STATEMENT OF HORACE D. GODFREY, ADMINISTRATOR, ASCS;
ACCOMPANIED BY CLAUDE T. COFFMAN, OFFICE OF GENERAL
COUNSEL, DIRECTOR OF FOREIGN AGRICULTURE AND SPECIAL
PROGRAMS DIVISION; AND FRED G. RITCHIE, DIRECTOR, CON-
SERVATION AND LAND USE POLICY STAFF, ASCS, U.S. DEPART-
MENT OF AGRICULTURE**

Mr. GODFREY. Mr. Chairman and members of the committee, I am pleased to have this opportunity to testify in support of the legislative changes proposed by title V of the Food and Agriculture Act of 1965.

As Secretary Freeman already has stated before this committee, title V is proposed to help us accomplish long-range adjustments in the use of agricultural resources particularly for cropland that currently is being used to produce crops in surplus supply. These adjustments are needed as a part of our effort to (1) strengthen farm income; (2) reduce the cost of farm commodity programs; (3) provide a means of assisting farmers whose age, lack of education or physical condition make it desirable that they discontinue active farming or at least reduce their agricultural activity, and; (4) help other farmers take advantage of the increasing opportunity for part-time off-farm employment in rural America.

The cropland adjustment program as proposed in title V proposes to amend the Soil Bank Act of 1956 under which conservation reserve program contracts were made from 1956 through 1960. Today those conservation reserve contracts are yet in force on over 14 million acres of land. This land previously was used to produce row crops, small grains, and tame hay.

The cropland adjustment program while similar to the conservation reserve program differs substantially in some very important aspects:

(1) The cropland adjustment program would contract land that currently is being used to produce row crops and small grains and at payment rates based specifically on the crop reduced and the quality of the land.

(2) Before a farm could place any other acreage under the cropland adjustment program we would require that at least one base or allotment for the farm be contracted in its entirety. None of this crop then could be grown on the farm during the contract period.

(3) Only if all the row crop and small grain land on the farm was contracted would we contract any tame hay land.

(4) Short-term 3-year contracts such as were made in the conservation reserve no longer would be accepted. We would contract for 5 years as a minimum.

Mr. POAGE. Are all of these four things set out in the law?

Mr. GODFREY. They are not specifically spelled out in the law. This would be handled by Secretary regulations.

Mr. POAGE. Why is it that you do not set these things out in the law?

Mr. GODFREY. Some of these—the fourth one, for example, on the 3-year basis, changing it to a 5-year basis, is set forth in the law. We could set forth the rest of them in the law if necessary, but it was felt that we could do this adequately by Secretary's regulations.

Mr. POAGE. That is the same question that we will have presented to us on the floor of the House, and the Secretary of Agriculture will not be there to answer for us. I think that I should in frankness say that the whole soil bank program is one of the worst programs this Government has ever had, and I do not want to see it continued. I would like to have the law set out the details that will make it plain that we are not going to continue this discredited program.

Mr. TEAGUE of California. Will you yield?

Mr. POAGE. Yes.

Mr. TEAGUE of California. There seems to be an ever-increasing desire on the part of the Executive to go beyond what sometimes the Congress intended and it is better to have these regulations spelled out in the law, I think, as has been suggested by the chairman.

Mr. POAGE. Thank you. Go ahead.

Mr. GODFREY. No grazing or haying would be permitted under the CAP except in extreme emergencies growing out of natural disaster.

Mr. POAGE. I would like to have you elaborate on that. We all know that this emergency power is going to be used. There are times when it should be used. I am not blaming anybody for it, but just how are you going to handle that?

Mr. GODFREY. Our proposal would be to handle it as we have been handling the requests under the old law and under the feed grain and wheat adjustment programs; that is, that we have a disaster committee in each State. The disaster committee comes into play once

the Governor of the State makes the request to the Secretary that an area be designated as a "disaster area." The disaster committee then, within the State, which consists of representatives of all of the agricultural agencies as well as of the State government, submits its view of the extent of the disaster, and the Secretary then makes a determination whether or not grazing would be permitted on the conservation reserve land and on land diverted under the wheat and feed grain programs.

In addition to this, the area can be declared a disaster area by the President, and when it is declared a disaster area by the President, grazing is permitted; also, through the normal channels that I have already outlined.

Mr. POAGE. Of course, I would like to see the farmer get all that he can out of these programs. But have we gone too far? Have we been too liberal? What is your feeling about that?

Mr. GODFREY. My personal feeling, Mr. Chairman, is that it has been about right in the past 4 years when I have been so closely connected with it. That is my personal feeling.

Mr. POAGE. All right.

Proceed.

Mr. GODFREY. The land taken under contract would be shifted to grass, trees, water storage, or wildlife habitat. But in addition the land also could be placed in recreation use, could be developed as open space around our crowded cities, or could be devoted to measures to prevent air and water pollution.

These additional uses likely would be permanent adjustments and would bring great benefits directly to the nonfarm public.

One feature we are proposing for the cropland adjustment program is authority to enter into agreements with State and local governments and with Federal agencies who acquire for nonagricultural use land currently being used for row crops and small grain. In this cooperative effort we would spend no more than would be spent if the farmer placed the land under a CAP contract of limited duration. The Federal, State, or local agency would move the land permanently out of agricultural uses and into recreation facilities, open space, and other uses directly beneficial to urban people.

Mr. TEAGUE of California. May I interrupt there?

Mr. POAGE. Yes.

Mr. TEAGUE of California. Would you explain a little, in a little more detail how it would work—would this be the transfer of the title to the land to the municipalities?

Mr. GODFREY. Yes, sir; this would be the permanent transfer of the title to the municipalities, and then we could go one of two directions: the Bureau of Outdoor Recreation in the Department of the Interior now has authority to assist local governments in acquiring land for recreational uses. We could partially reimburse them, not to exceed what we would ordinarily pay under the cropland adjustment program.

The other way that we could go would be to assist these counties, States, or local governments directly in acquiring this land to retire it to open spaces, parks or recreational facilities.

We would pay no more than we would pay should we sign up a long-term cropland adjustment program on it.

Mr. TEAGUE of California. By that are you saying that you expect that the farmer would grant the title to his land for the same amount of money that he would be willing to accept otherwise?

Mr. GODFREY. No, sir. He possibly would transfer the title for much in excess of what he could get out of the program, but the local governments would have the responsibility for paying the additional amount of money.

Mr. TEAGUE of California. I see. Thank you.

Mr. POAGE. Proceed.

Mr. GODFREY. Might I digress to say that until we can find non-agricultural uses for some of our developed agricultural land, our only alternative appears to be repeated payments to farmers to divert that land from crops through commodity programs. The expiring conservation reserve contract land is an example of this problem. Of the 14 million acres now under contract, 7 million acres have a history of use for feed grain and wheat production (9 million if we include oats). As these contracts expire, most of this land will go back to the production of those same crops or will be designated as "diverted acres" under whatever commodity programs then exist.

We believe that the cropland adjustment program will complement the year-by-year commodity programs, not replace them, at least for many years to come.

Mr. POAGE. What has been the history—you told us almost 2 years ago exactly the same thing that you have told us in this paragraph, that you were going to have a very substantial amount of land coming out of the soil bank. You expected 10 million acres to come out of the soil bank, I believe, to be placed in or to go back into these feed grains. What has actually been your experience along this line?

Mr. GODFREY. Mr. Chairman, we had a little survey made on this—not a detailed survey, because a detailed survey would have involved a visit to each of the farms that was coming out of the soil bank, but we had a sample survey made. The sample survey showed that the land that had a history for the production of wheat, cotton, and feed grains came back either into the production of those commodities or was designated as diverted acreage. Some hay land was contracted under the conservation reserve program—the majority of the land that was hay land remained in cover crops.

There are a few exceptions to this, of course, where trees were planted on the land. And in these cases, of course, it has remained in trees, but this was but a small part, not very much.

Mr. POAGE. You say this is a small part?

Mr. GODFREY. Yes.

Mr. POAGE. I wonder if you have any general ideas as to how much—what part of the soil bank land was planted in trees? I have understood that in the Southwest almost all of this was in trees.

Mr. GODFREY. Yes, sir. The understanding is not entirely correct. The State of Georgia has a considerable amount of acreage in the soil bank that went into trees, but the tree contracts do not begin expiring until 1966. Some tree contracts will expire in 1966, and some run until 1972. So your tree contracts are still in effect, because they were 10- or 15-year contracts.

Mr. POAGE. Yes, but what part of the soil bank land went into trees?

Mr. GODFREY. Just a moment, please.

Mr. POAGE. I do not want the exact figures—was it one-fourth or one-third or 15 percent, or what was it?

Mr. GODFREY. About 2 million acres out of a total of over 28 million acres.

Mr. POAGE. That is about 8 percent?

Mr. GODFREY. About 7 to 8 percent.

Mr. POAGE. About 8 percent?

Mr. GODFREY. Yes.

Mr. POAGE. Go ahead.

Mr. GODFREY. We believe that when we have both long-term and annual programs the total cost would be less and a farmer producing a given commodity should have a choice of either participating for that commodity in the annual type commodity program or discontinuing the production of that commodity under the long-term cropland adjustment program. He would not participate for that commodity under both programs at the same time.

With long-term contracts we can obtain agreements to forgo production of a specific commodity over the entire contract period for not more than 80 percent of the cost of obtaining the same reduction in that commodity on a year-by-year basis. Based on our current rates for commodity diversion programs and with the kinds of payments we would visualize as necessary under the cropland adjustment program, we estimate that we can reduce total program costs by \$4 to \$5 million per year for each 1 million acres of land taken under long-term contracts.

Many farmers will be willing to make long-term land use adjustments. The assured income from program payments under a long-term agreement will be attractive to many people. There are elderly people and others who would like to reduce their farming operations but without an alternative income they must continue them. Many farmers would like to have more time for their off-farm employment or businesses. These people could schedule their CAP payments under a long-term contract in keeping with their need for income and for building future social security benefits to themselves. They could continue to live on the farm and be a part of the rural community.

Some changes for administrative improvement: The legislation proposed in title V would eliminate the civil penalties imposed by the Soil Bank Act. We found these penalties difficult to administer and not very effective in insuring additional compliance with contracts. Our recent experience in handling voluntary programs convinces us that we can do an effective job of handling violations by denying payments. Also the proposed legislation would give the Secretary a little more leeway so that when a contract is terminated due to violations, he could require refunds more in keeping with the seriousness of the violation rather than having to recover all payments.

The advantages of the cropland adjustment program to nonfarm people: I have spoken at some length on the benefits which this program can bring to agriculture. In the long run it may well be more appropriately called a program to help nonfarm people benefit from what we call "opportunity acres." These "opportunities acres" are cropland which is not needed for crops now and will not be needed for crops for many years to come. These are not unneeded acres. They are just presently being put to the wrong use.

They are really needed now for better watershed protection. They are needed now for wildlife habitat and the outdoor recreation associated with it. They are needed for the greater beauty and the "elbow-room" through which nonfarm people enjoy the delights of our Nation's countryside. These "opportunity acres" can provide insurance against damaging floods, destructive wind erosion, and siltation of our streams and ponds. They are needed as a means of holding water in the land where it falls so that the water will be released slowly as nature intended. An even streamflow serves the important function of helping provide an adequate supply of good quality water for urban residents and for the industry on which they depend. Plenty of water falls on most of our Nation's countryside. The management of this water, however, so that it is available in the quantities and at the times it is needed by nonfarm people is one of our Nation's growing problems. Programs that take land out of unneeded crops and convert that land to conserving uses are programs which serve as great or greater benefit to our city people as they serve to our farm people.

Mr. POAGE. Right there, it seems to me, Mr. Godfrey, that you have implied that these acres will be needed in the future for productive uses. Did you intend to imply that, or did you intend to say that?

Mr. GODFREY. I intended to leave this entirely open. There is a possibility that they may be needed in the future, but in the meantime we do not need them for the production of crops, and they are needed for other purposes.

Mr. POAGE. I agree with you that there are many of these that are not needed for crop production now and that there is a need for them for certain other things, for other purposes, but to the extent that the need is serious—and you make a pretty good argument that it is—then by the same token you never could properly put them back into cultivation.

Mr. GODFREY. Not if all went into this particular endeavor, this is true.

Mr. POAGE. Obviously, there would be just as great a need in the future as there is today—the need for a wild habitat—a need for recreation and the like will become greater—the need for the beautification of countryside is going to increase, rather than decrease, and it seems to me that what you are trying to make out is a case for the permanent removal—that is what you are doing.

Mr. GODFREY. We feel that some of this land will be permanently removed from agriculture production, but some of it would not be permanently removed and would be available, if needed, at a later date.

Mr. POAGE. To the extent that you need it for these purposes that you have described you are going to continue to need it. There is no cutoff where you will not need it or use it. There is no foreseeable cutoff. This need will continue for recreational land, and so forth, and to the extent that that is correct the increase, it seems to me, will be there for the use, and you have made a pretty good case here that they should come out and stay out of cultivation forever. If that is true then is there any real basis on which the U.S. Government can pay annually for these uses? That is, to let this land forever be there, and to pay for it in a very few years and to keep right on paying for it?

Mr. GODFREY. Mr. Chairman, if we were to take this land out permanently and it was to be acquired by the Government, so to speak, we

would do exactly what we do not want to do and, that is, we would dry up some of these communities. This is one of the things that we do not want to do. We want to keep people living in the rural areas and enjoying the rural life. We do feel that the land needs to be converted to conservation use and taken out of the production of crops.

Mr. POAGE. What we are doing here is buying the use of the land.

Mr. GODFREY. That is right.

Mr. POAGE. The U.S. Government is buying the use—buying it only for a limited time, rather than for any permanent use. We build a lake, a reservoir which will stay there for a 50-year life, or a 100-year life. We have taken title in fee to all of the land that we cover with water. And we take an easement which runs forever on the rest of the land that may be used. We do that. Yet under your plan the owners get paid for it year by year. What would you think of taking an easement on this land? I am not for driving people off the farms. To take an easement, providing that the owner cannot use the land for certain purposes, leaves him on the farm and in the community.

Mr. GODFREY. I do not know how many farms we could get to participate in a program of that kind.

Mr. POAGE. There would be a lot of them, would there not?

Mr. GODFREY. Well, it would be determined, of course, on how long you would continue this type of program.

Mr. POAGE. I am assuming that inasmuch as you made the argument here that the change has to be forever—at least, until as far down the road as you can see—that you propose to pay forever.

Mr. GODFREY. Unless some serious change takes place in the field of agriculture, which could take place, and which none of us can foresee at this time.

Mr. POAGE. Even if those changes take place or do not take place, you have made a good, sound argument, I think, and I am trying to agree with you—I am not condemning you—I am agreeing that you have made a good, sound argument here that these other uses are necessary, that we need to get this land into other uses. If we need to put it into other uses, it does not make any difference what happens in the field of agriculture—we still need it for these other purposes. And if we do need it, then should we not start buying—at least buying permanent easements?

Mr. GODFREY. Our economists estimate, and this has been discussed in the Department, that it would cost about the same in the long run to do what we are proposing here under an easement, as it would under this type of program. It would be about the same cost, regardless of which way you go.

Mr. POAGE. You have a similar situation in other agencies of the Government. Certainly, the Army Engineers do not say that the life of their reservoirs will be as long as you seem to think that you will need it. They built a dam for a life, supposedly, of 100 years. It may well be that there will be a dam there longer than 100 years. I hope it will be in many cases, but they, certainly, are building a great many structures that they say are not going to remain there forever. They will be there for 100 years, they say. I am talking about what is only a minimum. I like your suggestion about leaving the family farmers down on the farm, rather than pushing them into the towns, but if you only bought an easement that they would not plow the land,

not to break the surface—that sort of thing—you could do it a whole lot cheaper than by buying the land. And it seems to me that over a period of years you could do it a great deal cheaper. Maybe we ought to try this. Maybe this ought to be a way of getting the money into the farmers' hands, but I think that we ought to consider those things. Maybe it would be adding to our subsidy of the farmers, but, if so, it will come direct to the farmers.

Mr. GODFREY. There may be some advantages in buying an easement. That they may remain on the land, and holding it on this basis for eternity, but I guess that what we are doing here is, in effect, proposing an easement of a 10-year duration. This is what we are proposing.

Mr. CALLAN. I think there is one problem. If you leave the land on the tax rolls of the community, then I think that you could get better public acceptance of this in a given area, but the minute that you try to purchase it and take it off the tax rolls, these small communities, many of which are having trouble now in maintaining their tax revenues, will not be so receptive.

Mr. POAGE. You will depreciate the value of that land. And if you took a part of the value of the land and you paid for the balance, obviously you would not have very much left—there you would not be as much subject to taxes then, that is true.

Mr. CALLAN. I think there is merit in this if you leave it that it can be taxed by the local governmental subdivisions. That would be all right, and we know that the local communities require the taxes.

Mr. POAGE. I agree with that, but that is going to happen only if you took full title to the land—only in that event.

Mr. STUBBLEFIELD. If you were to have an easement, with the sole use for a certain use, it would, also, depreciate the value of the easement.

Mr. POAGE. It would decrease the value of it, I am sure. I am sure that it would do that. Of course, the man would not take that payment unless he thought it would compensate for the loss in value of what he had left. I do not want to belabor that point. I just wanted to throw it out. Go ahead.

Mr. GODFREY. Farm people are not likely to make the extensive land use adjustments that are needed unless there is Federal assistance. Farmers have a costly investment in their land. They cannot afford to forgo the use of this land for income production. It would be an unfair public policy to ask it of them without compensation. At the same time the nonfarm public needs many services which these lands will contribute if placed in a conserving use through a program such as cropland adjustment program.

In conclusion, may I point out that the cropland adjustment program would be a program built on experience and fitted to our current needs. With the amendments proposed in title V we would have authority to undertake extensive land use adjustments over a period of several years. Nearly all agricultural and nonagricultural interests seem to consider such adjustments are necessary. These adjustments are needed not just for the purpose of aiding agriculture but for the public purpose of making the best use of the bountiful land resources this Nation enjoys. We can use this resource so that it contributes to increased economic activity and to a better life for all our people in the years to come.

Thank you, Mr. Chairman, for the privilege of appearing before this committee. I will be glad to answer any questions the committee may have regarding the legislative proposals contained in title V of the proposed Food and Agriculture Act of 1965.

Mr. POAGE. Thank you, Mr. Godfrey. I would like to ask you a question. I am sure that you are familiar with H.R. 7500 which is a bill that I introduced to provide for the establishment, ownership, operation, and regulation of the U.S. Agricultural and Development Corporation. I am not at all sure that you are familiar with it.

Mr. GODFREY. I have seen a copy of it, Mr. Chairman, and read it with much interest, I might say.

Mr. POAGE. I personally do not look on that bill as a substitute for this program, but it seems to me that legislation offers an opportunity to make this program a little more effective and a little less costly to the Government.

Have you formed any opinions on H.R. 7500?

Mr. GODFREY. Yes, sir; I did. I formed a personal opinion, but we have not filed a report, I do not believe, on your bill as yet. My personal opinion was that the cropland adjustment program proposed here, and the program that you propose, could complement and supplement each other.

Mr. POAGE. I think that is perfectly correct. I, certainly do not consider H.R. 7500 to take the place of this, but it would make this program work a little better and at a little less cost to the Government, it seems to me.

It seems that the corporation idea would give use an opportunity to remove some land that would sooner or later have to be removed—and to remove it quicker from the agricultural program; and, therefore, ease pressure on production a little more rapidly without any cost to the Government.

Mr. TEAGUE of California. I am not familiar with the bill—would you describe it?

Mr. POAGE. This bill, basically, is predicated on the idea that the land near our big cities—the farming land—is going to become urban areas in a matter relatively of a few years, and that the acquisition and the holding of this land can be quite profitable for anyone or any corporation who has enough money to do this. It, therefore, provides for the establishment of a private corporation for profit, subject to all taxes, but with a proviso that the U.S. Government would subscribe 50 percent of the stock. It is a \$200 million corporation.

It provides that the Secretary of Agriculture shall be the Chairman of the Board. That it will have a board of directors of not less than 10 nor more than 14 who shall be selected by the stockholders—private as well as public.

It provides that this corporation may buy cultivated lands around large cities in an area no closer than 1 mile from the outer limits of an urban area nor shall it purchase land more than 6 miles from said urban area. That is something that could be greatly varied.

The corporation is authorized to buy any cultivated farm offered for sale within an area adjacent to urban areas of not less than 100,000 population. That, too, can be varied. It could be a quarter of a million—it could be 10,000—it could be any figure you want to set for

it. It depends on how much land you want to remove—how far you want to go. I have tried to start on a rather modest basis.

It then provides that this corporation shall offer to buy any cultivated land that comes on the market in that area. This means, that if you had 100 acres within a few miles of a city you could come in and ask for an appraisal, for which you would have to pay, because if you did not have to pay for it, everybody would swamp the corporation with such requests. If they appraise your land at \$250 an acre, for example, you would have the opportunity to sell it to them for that amount, but there would be no compulsion on you to do so. You would not have to do it. You could try to sell it to somebody else. You would use them as a backlog to take the land, if you could not find somebody else.

After the corporation acquires the land it can use it for any lawful purpose, except the production of surplus crops.

The corporation will have to pay both local and income taxes. The land is still on the tax rolls. The corporation would get what income they could get out of the land and they would hold it until the land came into or within 1 mile of the city. Of course, the land would not move, but the city would grow toward the land. The corporation would then be required to again get the land appraised, and this time the appraising would be done by local bonded appraisers and at the expense of the corporation. It might be appraised \$800 or \$1,000. That then becomes the offering price. The corporation would have to take that price from anyone who wants to buy it.

It seems to me that taken over the Nation, that there is a chance for a real good profit in that sort of operation. I know of nowhere in the United States around a city of 100,000 population where such an investment would not be desirable. Of course, there are some places where it might not be. We recognize that, but if you spread it all the way across the country from Portland, Maine, to Honolulu, you have an immense spread that would give you almost the certainty that the corporation would make a substantial profit, it seems to me, and the U.S. Government would share in that on a 50-50 basis.

I cannot see how, taken as a whole, that there would be any losses that would amount to very much—there might be losses on an individual tract, without question, but as a whole there could not be any losses on this kind of an operation.

It would take some land out of cultivation which would go out, anyway, but it would take it out several years earlier than it would go out otherwise, and that would reduce some of the pressure on this total volume of land that Mr. Godfrey is talking about this morning.

The Department did make up some estimates that maybe you could get out 5 million acres this way, but even if you could get but 2 or 3 million, and I would recognize that the way the bill is drawn now that that is a more realistic figure, but even if you could not get but 3 million acres out, that is one-tenth of what we took out with the soil bank program. If you take one-tenth out for nothing, it seems to me that you have achieved a very desirable thing.

I suggest it not as a substitute for this bill, but as a supplement to this legislation, one which I would think would make this kind of legislation work more smoothly and at less cost to the Government.

Mr. TEAGUE of California. All of us know that the farmers who are farming close to the cities often find their property assessed on the basis of suburban real estate development values, rather than anything else.

Mr. POAGE. That is very true.

If there are questions of Mr. Godfrey, we will hear them now. Are there any?

Mr. CALLAN. If I remember correctly, Mr. Godfrey, there are about 13 million acres in the old conservation reserve that will come up in January, January 1, 1966, is that right?

Mr. GODFREY. No, it does not come out, Mr. Callan, in January 1966. There is a very small amount that will come out January 1 of 1966—about one-half million acres—and there will be under 3 million acres that will come out on January 1, 1967.

Mr. CALLAN. I think I saw some figures that there will be 330,000 acres that will come out of the conservation reserve which is in there now, on January 1 of 1966.

Mr. GODFREY. January 1, 1966, there are almost 600,000 acres, and January 1, 1967, 2,200,000 acres.

Mr. CALLAN. How about Nebraska?

Mr. GODFREY. I have the breakdown by all States. I do not know whether I have it for Nebraska alone.

Mr. CALLAN. My question is, under this program, what do you intend to do with the contracts that you already have?

Mr. GODFREY. This land that is eligible land, incidentally, most was growing feed grains or wheat, and therefore would be eligible for coming under the cropland adjustment program, but without the program it will either come back into production or it could be used as diverted acres, if it was producing the crop before it went in.

Mr. CALLAN. Would you give them an opportunity to bid it back in at the price that was paid for it or to rebid it, or how?

Mr. GODFREY. No. We would negotiate a new contract. This program would be working entirely different from the old conservation reserve, in that the conservation reserve took any land on the farm, from a part of it to all of it. And we found that in the conservation reserve that we normally took the nonproductive land first and then eventually, if we got the whole farm, we would have what productive land there was on the farm.

Under the cropland adjustment program we would propose that we would get all of his wheat allotment or all of his feed grain base first and we would pay him commensurate with what we were getting, not only to the extent of what the feed grain base might be worth, but as to the productivity of the land that was coming in. This would be quite different from the old conservation reserve.

Mr. CALLAN. Thank you.

Mr. POAGE. Will you yield there, Mr. Callan?

Mr. CALLAN. Yes.

Mr. POAGE. I understand, however, that there will be a substantial difference. I still do not understand how you get the more productive land because I have a base of so many acres in feed grains, not in specific acres—it is not measured off in the sense that the southeast corner of the field is where I produce my feed grain but I can put that corner in if I want to. I have 40 acres of land in feed grains.

If I put my feed grains in I have to take 40 acres out. And my northwest corner may be the best. I put my southeast corner in. Still I will take my feed grains out of production. That is true. I think that it is a great advantage to remove a specific crop, although I do not see how you get the best land.

Mr. GODFREY. We would not necessarily get the best land, but if we did not get the land, we would pay him commensurate with what we did get.

Mr. POAGE. You pay him on the basis of the land that you get?

Mr. GODFREY. That is right, sir.

Mr. POAGE. And how do you determine the quality of the land actually retired?

Mr. GODFREY. By an actual visit to the farm.

Mr. POAGE. Then you would ask the farmers to designate a specific block of land?

Mr. GODFREY. To designate the acreage. It would be compared with the productivity of the other acreage on the farm.

Mr. POAGE. I see. I think that would be rather desirable.

Mr. GODFREY. Failure to do that was a weakness of the old conservation reserve program, if you will recall.

Mr. POAGE. Mr. Dole.

Mr. DOLE. Mr. Godfrey, do you think that you could compete with the diverted acres on the other programs?

Mr. GODFREY. On some farms we do, Mr. Dole. Naturally, we could not on all farms, but on many farms we feel that we can. For example, at the present time we have somewhere in the neighborhood of 20 percent of our farmers who are over age 55. And we have a relatively large number, almost 70,000 farmers, who reach 65 years of age each year.

In addition to this there are about 1,100,000 farmers who spend at least 100 days per year working off the farm.

Now we feel that in these particular instances that some of these people would rather have a long-term contract, rather than year-to-year contracts. And this is where we feel that we would get our biggest participation.

Mr. DOLE. As I understand this program, the minimum will be a 5-year contract?

Mr. GODFREY. This is right.

Mr. DOLE. The maximum would be a 10-year contract?

Mr. GODFREY. That is right.

Mr. DOLE. Do you have any idea what it may take dollarwise?

Mr. GODFREY. We are estimating that it would take, over a period of time, an average of about 80 percent of what we are now paying under the feed grain and wheat programs.

Mr. DOLE. The difference would be the long-term contract as compared to the 1-year contract?

Mr. GODFREY. The long-term contract as compared to the 1-year contract; yes, sir. And the opportunity, may I add this, that he could put the other land in his farm into this cropland adjustment program once he puts in his feed grain and wheat.

Mr. DOLE. Do you permit the whole farm to go into this?

Mr. GODFREY. There will be a provision for whole farms, yes.

Mr. DOLE. How do you protect the small communities from the standpoint of drying them up?

Mr. GODFREY. Well, actually, we will prescribe limitations on a county or even a smaller unit than a county on the amount of acreage that may go into the program in a particular year or over the period of time. This limit would be different for different communities and under different circumstances.

We envision here that we would initially start with a small limit and before this limit would be expanded we would get a certification from the business leaders within the community—within the farming community—as well as the nonfarming community, as to how far we could go without drying up the community, so to speak.

Mr. DOLE. Have you made any projection on how many acres there might be returned by this program?

Mr. GODFREY. We would like to try for 8 million acres a year for 5 years which would give us a total of 40 million acres. This is what we would like to try for. We may not be able to achieve it the first year. Our aim would be that we would not necessarily start with an 80-percent figure the first year, realizing that we would, probably, get the lower productive land the first year, but over the period of time that we are signing contracts we would shoot for 80 percent of what we are paying for the diverted acres.

Mr. DOLE. Do you have any idea where the bulk of this land might come from—would it be Kansas, Nebraska, or some other area?

Mr. GODFREY. We feel that the bulk of it would be in the feed grain and wheat producing areas but under the old conservation reserve I think that would give us some idea. The bulk of the land there was in the Midwest, starting in North Dakota, and running on to Texas.

We have made some estimates of about how much we think that we would get, but, of course, they are strictly estimates. And here is about what the boys feel that we would get.

If the past experience under the old conservation reserve is any guide at all, as I indicated that it probably would be, we would expect the greatest participation in the cropland adjustment program in the Plain States, the lake States, the southern Corn Belt, particularly southern Indiana, Kentucky, Tennessee, and the Piedmont region.

Mr. DOLE. Is there any proviso such as the longer the term of the contract the larger the payment to the farmer? If you start with 5 years maybe, payments should be increased if he went to 7, 8, 9, or 10 years?

Mr. GODFREY. We have not contemplated having a special incentive for increasing from the 5 to the 10 years, no, sir.

Mr. DOLE. Do you feel this program can be successfully superimposed on the present program?

Mr. GODFREY. Actually, I think it will supplement and complement the present programs and will reduce the cost 4 to 5 million dollars per year for a million acres. That is, that we get under it.

Mr. POAGE. Mr. Callan.

Mr. CALLAN. Just as an example, take a farm in Nebraska, and say that it has a 25-acre wheat allotment and 60-acre feed grain basis and you have 50 acres in alfalfa, 25 acres of permanent pasture—how would you contemplate taking that farm into this program?

Mr. GODFREY. First, this farm has a total—I would guess when you say 25 acres of permanent pasture—I am going to assume that it is noncropland—and not in our program at the present time. And so you would have 135 acres of cropland in this farm. Now this particular farm could put in the entire 135 acres, if he so desired.

Let us take it on the whole farm basis first.

We would pay him at one rate for the 25 acres of wheat allotment, at another rate for the 60 acres of feed grain base and at a separate rate for what is now in the conserving base, alfalfa, and so forth. And this would make up his payment on that farm. That is, if he wanted to go into it all the way.

Now let us assume that he did not want to go into it all the way and he wanted to put in 25 acres, the 25-acre wheat allotment, he could designate those 25 acres, and we would establish a rate for those 25 acres, dependent upon the productivity of the land that he is giving and relating it to the production of wheat on the farm.

His conservation base would be automatically increased to 75 acres, because the 25 would have to go into conservation. He could continue to grow feed grains and alfalfa and soy beans that he may have been growing or other row crops, but the 25 acres would be set aside for the period of the contract and could not be grazed or used during that period except in case of disaster.

Mr. CALLAN. He could put the 25 acres into wheat. Would you think that the payment of this would be as much as the payment for the diverted acres?

Mr. GODFREY. No, sir. The payment that we would contemplate for the 25 acres of wheat over a period of time would be, approximately, 80 percent of what we would pay for the wheat-diverted acres.

Mr. CALLAN. Thank you.

Mr. POAGE. Mr. Godfrey, as a matter of fact, how do you envision that the farmer that Mr. Callan has just talked about—how would you keep him from grazing those 25 acres? I mean, it looks like this program is going to run into a tremendous undertaking. It is a problem how you would work it.

Mr. GODFREY. We have had quite a bit of experience in this under the conservation reserve program. And from some practical experience that I have had in working in the States this does present a problem on some individual farms, but not on many. A prerequisite to grazing, of course, is the having of cattle. And we have found in administering the conservation reserve program that it is very easy for the farmer to either fence out the acreage so designated or to fence in the other acres on the farm if he does have cattle. We have not found a material problem in this in past years.

Mr. POAGE. Mr. Godfrey, I do not believe that the Department understands the problem that the farmer has in fencing this land. The farmer has to fence it. I have not convinced myself that I ought to put in all of the fences that are necessary to do this. That is, to make my own place operate to peak efficiency, because it costs me a lot of money to put the fencing in. I have not made the investment. And I know that mighty few of my neighbors have made the investment. They know, too, that it pays to cut this up into small pastures and rotate it every week and put the stock on fresh grazing and let these

other patches recover, but we just do not handle our land as well as we know because of the expense.

Mr. GODFREY. We found Mr. Chairman, that under the old conservation reserve that he then thought he was putting only 25 acres in, we may have a field of 28 or 30 acres, and he would, therefore, designate the entire field.

Under this program we would permit him to put in the entire field once he put in all of his wheat or feed grain base, one or the other. And, therefore, would not have to fence out anything. Most farms are made up of several fields, and this is the way that they got around that.

Mr. GATHINGS. Mr. Godfrey, I just want to ask you about the 1962 act, where we provided for recreational facilities. Since that time, could you give us a rundown as to what has been done by the farmers over the country, that is, has there been an appreciable number of farmers who have gone into that program?

Mr. GODFREY. Yes, sir; the program you refer to was the pilot program for cropland conversion. This has been in operation now for 3 full years. We have had in the neighborhood of 450,000 acres signed up under this.

Out of the 450,000 acres, if I recall correctly, about 2 percent of the acreage has gone under recreation on about 150 farms. We have 150 farms that have taken part in the recreational activity under the cropland conversion program.

We have been limited by funds on this. We could have acquired a much larger acreage. For example, the last program that we put into operation was what we called a combination of 1964 and 1965, because we did not get an appropriation in time to run one, actually, in 1964. And the Appropriations Committee also authorized the funds to be used for both years and authorized only \$15 million. The \$15 million was what was appropriated and allotted to us. And we had requests in excess of \$20 million. So if we had not been limited on funds, we would have got much larger participation.

Mr. GATHINGS. That 2 percent is very small, really. I would have thought that figure would have been larger.

Mr. GODFREY. This may seem small, for recreational purposes, but the program operated the first year in only 43 counties. It was a pilot program.

Now the 1964-65 program is operating in 101 counties. If it had been expanded on a national basis and had not just been a pilot program, then your number of farms would have been much greater.

If you get 1,330 farms out of say, 100 counties, it is only about 3 percent of the counties in the United States—of course, you would have a much larger program had it been operating on a nationwide basis.

Mr. GATHINGS. But since the Supreme Court's ruling on the matter one vote for one man, we people from the rural parts of this country have been concerned greatly. It does seem that maybe this recreation feature might offer an inducement for building up these farming communities somewhat. It would be slow, but it could happen. This 2 percent figure seems to me to be rather small.

Mr. GODFREY. Let me expand the figure a little bit for you. I mentioned only those that have entered recreation contracts. Much

of the land went into grass—much of it went into water storage. That would be used for recreational purposes, even though it was not strictly a recreational contract. And some would be wildlife habitat.

Mr. GATHINGS. About what percent would you say would that entail?

Mr. GODFREY. Better than 90 percent of the land went into grass. And, of course, where you get grass you can have the wildlife on the land. So, therefore, you would have better hunting facilities on about 90 percent of the land that actually went into the cropland conversion program.

I have visited some of these farms personally that were not recreation contracts as such, but cropland conversion, that went into grass, and part of it went into water storage, and the recreational facilities are now there for hunting and fishing.

Mr. GATHINGS. Do you anticipate any participation in it as to peanuts or tobacco or the like, in those areas? I believe you mentioned the Piedmont area.

Mr. GODFREY. We would anticipate a limited participation in rice, tobacco, and cotton and peanuts, because of the elderly farmers and some of the part-time farmers. We think that we would get some limited participation there, not as much as we would in the grain area, but we would get some participation.

Mr. POAGE. May I suggest to the members of the Feed Grains and Wheat Subcommittees that we are delighted to have you with us. We want you to feel free to participate in the discussion.

The rules of this committee provide that any member can come in, that is, any member of the full committee and visit any subcommittee. We want you to feel free to participate in the discussion. I just want you to know that, and to feel that you are welcome.

Mr. QUIE. On page 48 of the bill, beginning on line 5, it states:

If the sale of a lease occurs during a period in which the farm is covered by a conservation reserve contract, cropland conversion agreement, or other similar land utilization agreement, the rates of payment provided for in the contract or agreement of the farm from which the transfer is made shall be subject to an appropriate adjustment, but no adjustment shall be made in the contract or agreement of the farm to which the allotment is transferred.

What happens if the sale of the lease occurs just prior to the contract, the cropland agreement?

Mr. GODFREY. Well, on the sale or the lease agreement, Mr. Quie, we do not anticipate that feed grains could be included in this particular one. We are still debating whether wheat could be included.

Let us assume for illustration purposes that we are talking about a farmer that has a wheat allotment, but no feed grain basis. If he were to sell this and it was permitted then he would not be eligible to come into the cropland adjustment program because he has nothing to put in, to start with, you see. This is aimed at getting land out of the production of crops.

Mr. QUIE. If the person does not have a base or an allotment, he just does not participate?

Mr. GODFREY. He just does not participate, that is right.

Mr. QUIE. Thank you. What do you anticipate recreation will cover? Wildlife? Will it be wildlife propagation?

Mr. GODFREY. We have been approached on a special program by the wildlife enthusiasts, and we are still discussing it with them. They have proposed a special incentive payment to the producer if we would permit hunting or fishing on the land that was contracted and under the supervision of the State game and fish and wildlife organizations. We would consider this very favorably, because the States fish and game and wildlife people would exercise some degree of control over the people who would be permitted to hunt, fish, and so forth. And we think it would be very worthwhile, and the supervision that they would give in providing adequate feed for wildlife, and in taking the other precautionary measures and in the protection that it would give to the farmer, also.

Mr. QUIE. I am glad to hear that. If they could utilize this land for hunting and wildlife, that would be helpful, and I think that it would be much more acceptable as a program. I know the feeling of some of the people in the cities about the soil bank program is that they felt that they helped to pay for that and they would find it more worthwhile if they reaped more benefits.

Mr. GODFREY. I have been a patron myself at times.

Mr. QUIE. Have you developed in the regulations as to the kind of special assistance that the farmer would receive?

Mr. GODFREY. We are still talking with the national organizations on this. We have not developed tentative regulations. In fact, the proposition just came to us the latter part of last week. We started our discussions with them then. What they are proposing is that we increase the payment rate per acre just a little bit if the contracting farmer would be willing to work with the State fish and game and wildlife people in an effort to have controlled hunting and fishing on his land under this supervision.

Mr. QUIE. I hope that you will be able to develop it further when the bill progresses to a stage where it comes before the House.

Mr. GODFREY. We will do this.

Mr. QUIE. Very well, thank you.

Mr. POAGE. Mr. Heimbarger.

Mr. HEIMBURGER. I would like to ask a question if I may.

Mr. POAGE. Go right ahead.

Mr. HEIMBURGER. Mr. Godfrey, I am a little bit in doubt as to whether the emphasis on your proposal will be on acquiring whole farms or on acquiring wheat and feed grain allotments.

Mr. GODFREY. We are not placing an emphasis upon acquiring whole farms. However, we are putting an emphasis upon acquiring land that is devoted to the production of wheat, feed grains, and other surplus crops.

Mr. HEIMBURGER. In other words, where this differs from the conservation reserve program—one respect in which it differs—would be that here your aim really is to lease for an extended period of time the same kind of productivity that you have been leasing a year at a time under the wheat and feed grain programs, is that correct?

Mr. GODFREY. Except a little more intense. We would be able to do a little better job of determining the productivity of the land that we are contracting for than we are now able to do in the case of feed grains and wheat, for example. We just have to take the average of the farms in the case of feed grains and wheat.

Mr. HEIMBURGER. So, actually, if you are making a 5- to 10-year contract for a man to put all of his feed grain acreage into this program and add that much to his conservation program, it is not too material that you stake out these exact acres on the farm?

Mr. GODFREY. Yes, we would want to tie them down. That is a specific acreage. There are reasons for this, administrative reasons as well as productivity reasons. In the absence of staking down a particular acreage you could increase the grazing capacity of the farm. You could increase the actual yield of other crops that are grown on the farm. So we would want to tie down the acreage.

Mr. HEIMBURGER. The designation of the specific acres on the farm would be a part of the program?

Mr. GODFREY. Yes, sir.

Mr. HEIMBURGER. You mentioned here the authority to finance by the State and other Federal agencies the actual acquisition of this land for recreational and other purposes.

Mr. GODFREY. Yes.

Mr. HEIMBURGER. Do you have any estimate as to how much will be taken out in this manner?

Mr. GODFREY. We do not estimate that this would be used to a very large extent, but that it would be used to some degree. And we would not, again, invest any more in this land than we would if the farmer contracted it to us. The local government would have to finance the rest of it.

Mr. HEIMBURGER. In other words, if a county were interested in getting several whole farms in an area for a hunting reserve or some other recreational use you would finance only the cropland diversion part?

Mr. GODFREY. That is right. And to the extent that we would finance it if the farmer retained it. And then it would cost a lot more. The local government would then have to finance the rest of it.

Mr. HEIMBURGER. I think I understand that.

May I comment on one aspect of your bill? This is not a question. It is a comment, Mr. Chairman.

The assumption is in this part of the bill that the removal of this land from crop production will, necessarily, result in some kind of economic blow to the community. And I would just like to express an opinion, Mr. Chairman, that this is not necessarily true. I think there are areas of the country where the removal of land from cropland production will result in an actual increase in income to the area.

I refer specifically, for an example, to the northern part of Michigan—north of Lansing. I happened to go through that part of the country back in the mid-1930's, and I do not ever recall seeing a more depressing sight than the abandoned—almost abandoned towns—the unpainted farm buildings—the general air of desolation in that part of the country at that time. It is not very productive agriculture land. And it suffered very badly financially from the depression.

I went through there again about 5 or 6 years ago. It have never seen such a change in an area in my life. The difference is recreation. Around all of those lakes up there there are new motels and restaurants. The houses are all painted. There is not a vacant store in the little towns.

In this area recreation, rather than bringing about an economic depression, has brought about economic revival.

It seems to me that this program of yours, if it were directed in some areas to this sort of a renaissance, the idea that the removal of land from crop production might depress the area would not be true.

Mr. GODFREY. I might point out that there is a similar area in the southeast part of Oklahoma and the northeast part of Texas where the same renaissance took place since World War II. This used to be a cotton-peanut area entirely. Some of you may be familiar with it.

Mr. HEIMBURGER. I have just one more question, Mr. Chairman. I ask this because I am sure that the members of the committee will be asked about this.

How does this proposal of yours differ from the land retirement proposal advocated by the American Farm Bureau Federation, the massive land retirement program?

Mr. GODFREY. The massive land retirement program advocated by the American Farm Bureau Federation would not, necessarily, as I understand it take out of production, land that has been devoted to surplus crops. This CAP is aimed at getting land that is devoted to surplus crops out of production. And there would be a specific limitation. And your payment rate would be established in such a manner as to get land that has been devoted to crops. This is the primary difference.

Mr. HEIMBURGER. In other words, your program is aimed at surplus crop production rather than land itself?

Mr. GODFREY. Right.

Mr. HEIMBURGER. And the Farm Bureau program, as I understand it, would emphasize the acquisition of whole farms?

Mr. GODFREY. Right.

Mr. HEIMBURGER. Regardless of what they were producing?

Mr. GODFREY. This is my understanding of it also.

Mr. HEIMBURGER. Thank you, Mr. Chairman.

Mr. POAGE. Mr. Foley.

Mr. FOLEY. Turning to the statement of considering payments for farmers who agree to allow hunting and fishing and the like, I would just like to join with Mr. Quie in saying that I think that is a very splendid concept. Have you reached any decision as to whether you would initiate that?

Mr. GODFREY. We have not reached a decision, but we are working real hard on this. We got into it the latter part of last week. I think that we can say now that we will have something in here in a program to entice people to permit hunting, fishing, et cetera.

Mr. FOLEY. There would have to be some program which would encourage farmers to put otherwise productive acreage or agricultural property into private recreational uses. Do you see any conflict as to hunting and the like?

Mr. GODFREY. No; there would not be any conflict, because most of those areas are restrictive. We have found through our experience that only a small percentage of the population will use these areas. And what the wildlife people here have proposed is an expanded use for the medium- and low-income people who want to hunt and fish.

Mr. FOLEY. I agree with your position. I compliment the Department for looking into this. It is a worthwhile program.

Mr. CALLAN. On this 50-percent diversion, take, for example, a 320-acre farm in Nebraska and say that he has 80 acres in wheat and 120 acres in feed grain allotment and 60 acres of diverted base and 60 acres in grass, under the diversion programs he can go to 50 percent. Have you figured out in dollars and cents what you will pay him to come into the cropland adjustment program, or whether he would be better off to take his 50 percent out of production and maybe wind up with more money and still have his cropland left?

Mr. GODFREY. Mr. Callan, this would be a decision that he will have to reach when he considers first, the length of time that we might have the feed and grain and wheat programs; then the uses that he is going to make of the land on his farm; and how the fixed expenses and return from the crops will affect his total income situation.

On some farms that I am familiar with in Nebraska, for example, it would be to his advantage to enter the cropland adjustment program. On other farms it would be to his advantage to continue in the feed grain-wheat programs. However, this would be a long-term contract. And his choice would depend upon his labor and what income he feels that he needs.

Mr. CALLAN. You are talking about a 5-year contract?

Mr. GODFREY. A 5- or 10-year contract.

Mr. CALLAN. A 5- or 10-year contract. Actually, what we are talking about is only 1 more year so that he could pretty well figure out how he would come out in dollars and cents.

Mr. GODFREY. There is a decided difference, you know. We would guarantee the rate here for the entire period of the contract in the cropland adjustment program. There is nothing, to my knowledge, in the feed grain and wheat programs which would guarantee the rate for the diverted acres.

Mr. CALLAN. He gets certificates; does he?

Mr. GODFREY. He would get his certificates; yes.

Mr. CALLAN. For the wheat.

Mr. GODFREY. Yes. There is nothing that would guarantee the rate, however, for the diverted acres.

Mr. CALLAN. Have you figured this on a typical farm out in the Midwest in different areas?

Mr. GODFREY. Yes. We have done some of that on typical farms. Again, it depends on the individual situation. There are some farms that as we have outlined here where the age of the people on the farm would cause them to want to come under the cropland adjustment program. So whether there is a surplus of labor, as in the Deep South, it might be enticing for them to come under the cropland adjustment, usually if there is a surplus of labor they would want to stay with the annual programs.

Mr. POAGE. In this type of program would there not be the tendency to get the low-productive farms, rather than the high-productive farms if you are going to have a 50-percent diversion?

Mr. GODFREY. We feel that we would not necessarily get the low-productive farms to start with, but we would try to adjust our rates to pay for what we are getting.

Mr. POAGE. Thank you, Mr. Redlin.

Mr. REDLIN. As to what you have just said that we would try to adjust our rates, I gathered from something that you said earlier

that there would be a limitation, no doubt, as to the amount of acres that you can take out of these units. Maybe there may be competition for those acres. Wherein do you establish the authority to decide who can go out, and how do you get at the rate of payment?

Mr. GODFREY. We have given this one quite a bit of consideration. And with the experience that we have had in our 4 years of running the old conservation reserve, and with the experience we have had in 3 years now of the cropland conversion program, if the situation developed where we would have more requests than we had funds for, for example, we would have a closing date for the filing of requests regardless of what we anticipated in advance, and then after the closing date we would consider the individual requests that were filed by the farmers, and we would spend the money to take the farms where we were getting the most for it, not necessarily the first come first served, but where we thought that we were buying the most out of production.

Mr. REDLIN. May I ask another question?

Mr. POAGE. Yes.

Mr. REDLIN. By that do you mean that if there is a willingness on the part of two producers to go out at \$15 that you would decide which was the best, and they would be in a sense bidding against each other?

Mr. GODFREY. This is exactly right, sir.

Mr. POAGE. Thank you.

Mr. STUBBLEFIELD. Is not legislation of this kind particularly a selling effort on the part of the Department?

Mr. GODFREY. Mr. Stubblefield, it would take a selling effort as I would call it, during the first year.

Mr. STUBBLEFIELD. It would.

Mr. GODFREY. This is not necessarily, however, a selling effort, but an effort to inform people.

Mr. STUBBLEFIELD. That is the point.

Mr. GODFREY. I do not think that it would extend beyond the first year. This is my personal opinion.

Mr. STUBBLEFIELD. Do you think it could be accomplished with the State ASCS committees who work 4 days a month?

Mr. GODFREY. The State ASCS committee itself is not going to do the actual selling. This is generally done by the county committees and the staff that is employed there. It is our policy and has been since 1961 that the State committees kind of serve as a board of directors, like in a bank, and that the personnel do the administrative work, the holding of the meetings to inform farmers.

Mr. STUBBLEFIELD. I would admit that the State committees have less interest perhaps, than the local people, because they are not connected.

Mr. GODFREY. The two most efficient States we have in operation in the ASCS programs in the country today, with the heaviest workload, average from 4 to 6 days per month, on the part of the State committees, and these happen to be Texas and North Carolina. This is a different situation than what existed in Texas prior to 1961.

Mr. POAGE. Mr. Harvey.

Mr. HARVEY of Indiana. Mr. Godfrey, I do not believe that in the testimony you have given us any projection or indication of how many

acres you think that this program, if it were implemented, would ultimately encompass.

Mr. GODFREY. We would hope, Mr. Harvey, to get about 40 million acres over a period of 5 years or an average of 8 million acres per year.

Mr. HARVEY of Indiana. Do you estimate that of these 40 million acres, that most of it would be within the program or some of it would be brought into the program under the old original soil conservation program?

Mr. GODFREY. We would expect that part of it—our estimate at the present time reflects about, if I recall the figures correctly, 7 million acres in feed grain and wheat that was formerly in and that is now in the conservation reserve, and we would expect most of it would come back in, but in addition to that we would expect to pick up some of the acreage that is now in the feed grain and wheat stabilization programs.

Mr. HARVEY of Indiana. I see. What you estimate is that over a period of 5 years about 40 million acres or, approximately, that amount would come into the program?

Mr. GODFREY. Yes, sir.

Mr. HARVEY of Indiana. And you regard this as simply a supplemental type of program to the overall program as envisioned in H.R. 7097?

Mr. GODFREY. Very definitely. It is a supplement and a complement to the feed grain and wheat programs.

Mr. HARVEY of Indiana. Thank you.

Mr. TEAGUE of California. May I go off the record to make a comment?

Mr. POAGE. Yes.

(Discussion off the record.)

Mr. POAGE. Are there any further questions of Mr. Godfrey? If not, we are very much obliged to you, Mr. Godfrey.

Mr. GODFREY. Thank you very much, Mr. Chairman.

Mr. POAGE. Do you have anyone else who wants to make a statement this morning?

Mr. GODFREY. No, sir. We do not have from the Department.

Mr. GATHINGS. I would like to ask one other question before you leave, Mr. Godfrey. I just wondered whether you intend to get this land into the program as was suggested by the Farm Bureau in a suggestion brought to us a few years back; that is, by negotiation? How do you plan to get it?

Mr. GODFREY. We would plan that the policy of operation would be to open the program to anybody and everybody who wanted to come in for a specific period of time. As the years developed maybe we would want to devise some other system of operation, but at the outset we would open it to anybody and everybody who wanted to come in.

Mr. GATHINGS. Regardless. For example, suppose that I am 80 years old, and I own a farm and I meet with your representatives. Now what would be the situation there?

Mr. GODFREY. I'm sorry, Mr. Gathings. I misunderstood your question.

Mr. GATHINGS. Would you take the whole farm out?

Mr. GODFREY. What we would do is this: You would come in. We do have established in every county now a productivity index for

each farm for wheat and for cotton and corn and otherwise. This is the relative productivity of that farm in relation to the other farms in the county. So we would have rates established which would approximate from 75 to 80 percent of the feed grain and wheat rates. And similar rates for cotton, rice, and other commodities.

We would then offer rates that we would sign up for. This much for wheat and this much for your feed grain, this much for your rice, and this much for your cotton, and then this lesser rate that would apply to the other land on the farm that is eligible; that is, the other land that has been devoted to row crops, et cetera and this would make up your total rate and you would multiply the acres times the rate and get your extensions and you would add this up and this is what we will contract with you for, for a 5-year period and multiply it by 5, and this would be it.

Mr. GATHINGS. Thank you.

Mr. POAGE. You would not use any bidding?

Mr. GODFREY. Actually, this is a bid, Mr. Chairman. This is a bid on our part. He does not have to accept it.

Mr. POAGE. I know that. He does not have to accept it. I thought that one of the desirable things of the Farm Bureau retirement program was the bidding whereby you took the lowest priced land that the farmers offered. In other words, Mr. Gathings and I have farms, and I offer my land at \$20 an acre, and Mr. Gathings has the same kind of land and offers it at \$15 an acre, and you would take his and reject mine.

Mr. GODFREY. Our regulations would be written in such a way that this would be permitted. We operated this way under the conservation reserve program, if you will recall. This we did for 2 years.

Mr. POAGE. I know that you did.

Mr. GODFREY. And there are some administrative problems. But we did feel that, in the outset, that we ought to open it to everybody to start with, to see what we could do, and have the regulations then written in such a way that bidding could be used on the part of the farmer, if necessary.

Mr. CALLAN. One more question. Do you have a provision in there to cost share on the diverted acres?

Mr. GODFREY. I'm sorry that we have not covered that before. I am glad that you have mentioned it. The Government would cost a share, the establishment of the conservation practices.

Mr. POAGE. Now, Mr. Godfrey, is there anyone here from the Department who wants to discuss other provisions of the bill that is before us? I think that we could have some discussion on some parts of this.

Mr. GODFREY. It was my understanding, Mr. Chairman, that Mr. Cooley wanted the full committee to hear the testimony on lease and sale of allotments.

Mr. POAGE. I would be glad if he would.

Mr. GODFREY. That was my understanding and I did not prepare to discuss those features in detail this morning. I could go over it, if you would like.

Mr. POAGE. I think that involves somewhat this question of land retirement that is involved here. I believe that we could have a little

discussion on that right now. We have a few moments left that we could use for that. It might save some time later.

Mr. GODFREY. All right.

Mr. QUIE. How about feed grains and wheat—were they left out?

Mr. GODFREY. Let me cover this, first. The feed grain was left out for one specific purpose and, that is, that it is strictly a voluntary program. We have not yet found a way, Mr. Quie, where if a farmer sold his rights to produce feed grains to another farmer that we could prevent that farmer from continuing in the production of feed grains.

Mr. QUIE. Is that the same in the case of wheat?

Mr. GODFREY. No, sir. In the case of wheat you have a certain value for certificates which most of our boys feel is enough to prevent him from continuing the production of wheat if he sells his wheat allotment, because if he sold his allotment he would not be eligible for any certificate at all. As I say, wheat is still in the middle ground. We have not decided whether it should be included or left out.

Mr. QUIE. And those people with the certificate plan would be out.

Mr. GODFREY. Well, let me say that there is no farm program that is strictly voluntary in the sense that some people would define "voluntary," because the terms themselves take away the voluntary part of it. It is voluntary in one sense, but not voluntary in another sense. If he wants the payment he has to participate. And the payments are enticing enough to get about 80 percent of them in.

Mr. GODFREY. Let me just make some comments on the proposal in title VI for the sale, lease, and transfer of allotments. Many members of this committee know the particular proposal has been made, as I recall, every year since about 1956, not by the Department, but by different Members of Congress.

The proposal is to let the producers have control over their allotments the same way that they have control over the other factors necessary in order to produce a particular commodity. For example, to produce cotton at the present time it takes five specific requirements or elements. The man must have land, first. He must have labor, and he must have equipment; he must have finances; and he must have an allotment.

The five things that are necessary to produce a specific acre of cotton.

At the present time he has control over four of these factors. He can do what he pleases with his land or his labor or his equipment or his finances. And by losing any one of these four he cannot produce an acre of cotton. The proposal here is to give him the same charge or responsibility for his allotment that he has for the other four factors. We have many farmers who have allotments of specific commodities who, for some reason or other, would prefer not to grow the commodity, but because the commodity does have a value, the allotment has a value, and because the law requires that they grow the allotment once every so often in order to retain the allotment, they then produce the commodity. If they do not produce it themselves, they lease it or rent it to someone else to grow it. And this varies with commodities.

In the case of Flue-cured tobacco, we have annual leases now where an individual can lease to another and the allotment will be moved from one farm to another.

In the case of cotton we have the release and reapportionment provision.

We have the same in the case of peanuts, the lease and reapportionment, where the farmer desiring not to grow the commodity can release it and protect his right to grow it and protect his history. And then it is reapportioned to someone else to be grown on the farm.

We would propose to cover by regulation many factors which now disturb some people when you talk about release and reapportionment. Some of the factors that we would propose to control by regulation would be: First, a yield assessment to provide that where an acreage allotment is transferred from one person to another, coming from a low yielding farm to a high yielding farm, that there would be an adjustment made in the amount of acreage transferred to reflect the difference in yields.

We would, also, provide limitations on the size of acreage that might be acquired by any particular individual. This would be an effort to protect the family farm concept as all of us know of it.

In addition to limitation on the size that might be acquired by any individual there would be a limitation on the acreage in relation to other farms in the community.

We feel that these two limitations would go a long way toward protecting the family farm concept and would eliminate the fears that exist in many people now that one producer might corner the allotments, so to speak, for a particular commodity. These are, in general, some of the things that we had in mind looking for, and to prescribe by regulation in the transfer of lease and sale of allotments.

Mr. POAGE. Would you comment on two views in the transfer of allotments? Some 15 years ago, Mr. Pace advocated the purchase of cotton allotments by the U.S. Government and the cancellation thereof, with the idea of providing funds whereby the farmer who could not economically stay in cotton production could become an industrial worker or seek other avenues of making a living. I thought that there was a whole lot to the particular position then suggested. Today, we are still trying to help these people transfer. A lot of them have fallen by the wayside, but we have not done anything about actually providing the means of shifting from one vocation to another, except that there are some agencies down from the Hill here who get out some slick paper magazines and that sort of thing who tell you what you can do, but there has not been an awful lot of practical help for the fellow out in the cottonfield. If you are going to let a man lease the land, he is never going to use it as a means of transferring it to other avocations. He is going to have to sell the land, if he is to get enough to help him move. It seems to me that there is a whole lot to be said for using this sale of allotments as a vehicle to move these people out of a losing avocation into one where they can make a living and to give them a little something to do it with. Therefore, I think that we have to give more consideration as to why we are going to allow the lease rather than the outright transfer. What is your thought on that?

Mr. GODFREY. We, first, feel that there will be more sales than there will be leases, but at the same time we feel that there are some situa-

tions on individual farms where it would be advisable to provide for leases. The man may have a peculiar situation wherein he would not be able to actively engage in farming for a period of 2 or 3 or 4 years, yet he wants to return to farming and he wants to hold on to his farm and to protect his history on the crops he is growing. In these cases we feel that leasing should be permitted. And as you say, to provide a vehicle for helping him to accomplish his purpose.

Mr. POAGE. There are three or four other areas that I failed to mention here that I think I should mention. The sale and lease of the allotments would, certainly, assist those farmers who want to change their farming practices. You have mentioned some of these. Congressman Pace used to talk about these farmers who wanted to go into some other enterprise, rather than the growing of cotton. And that would, certainly, help them go into some other enterprise, if they wanted to do so.

Mr. GODFREY. We would provide limitations for the transfer of the lease, that it would have to be within the State boundaries—it could not be across State lines.

Mr. POAGE. If you put that in this bill that he cannot cross State lines, that is, of course, a compromise. It is obvious that if you confine the transfer to the county in each State you are greatly reducing the amount that these allotments would bring on the market.

Mr. GODFREY. Yes, sir; we are compromising. First, I would say that we are compromising by permitting the transfer within the State but first, we feel that in order to get the legislation on to the books that it would be necessary to restrict it within the State, to let the people have a shot at it first, in the State.

Mr. GATHINGS. The State of Texas has been mentioned here. I guess there were farmers from Texas talking to you about the peanut allotments in two counties.

Mr. GODFREY. We feel that the yield adjustment on this would, certainly, have a slowing effect on this. In fact, the yield adjustment will take care of it entirely, in my opinion.

Mr. POAGE. They did not think so. I told them the same thing. One of those men who was here was not a peanut farmer. His interest was that he was manager of a telephone cooperative. He felt that if we allowed this he would lose many subscribers, and the cooperative would fail.

Mr. GODFREY. Actually, I think that they will go out and find some more acreage themselves.

Mr. POAGE. Some of them will.

Mr. GODFREY. This is what I think would happen. The acreage would wind up on the unit that has been growing more economically and will contribute to net more farm income.

Mr. QUIE. I am concerned about this. I, personally, feel that if we are going to allow a person to sell or lease his allotment, that we ought to let him go anyplace in the country so that it will be of help to the poor farmer who is looking for some means of getting out of this business where he does not make an adequate income. He cannot make a living. Under this bill he will sell at a low price to a person within the State of North Carolina, for example, to a person in North Carolina with the capital to buy it. Then after a period of time that person will sell it to a person in California and make a nice

profit out of it if the law is amended to provide for such sales. I think that the poor farmer for once ought to get something out of it—that he ought to get as much out of it as he can, for example, for his cotton allotment if he wants to sell it to someone in California.

It seems to me that we should look at this from a national point of view, not just some local point of view, some regional point of view or some State point of view.

Mr. GODFREY. I would definitely feel that the adjustment factor would slow it down within States, but at the same time I do not know exactly what the Congress would do. I expect that there is more possibility of getting it through by limiting it within the States than there is by having it go across the Nation.

Mr. QUIE. It seems like this ought to be the concern of the Congress, rather than that of the administration. You do not go out to the farmers involved. We do, and if we have to narrow it down for any reason, that's our problem.

Mr. GODFREY. I think that the best interests of the farmer would be served, personally, by limiting it to within the State, not just now but indefinitely.

Mr. JONES of Missouri. What consideration have you given as to just how much production could be obtained if you just did not require the allotment to be released or to require the owner to plant, say, once out of every 3 years—have you given any study to that?

Mr. GODFREY. No, sir, we have not. We have only the figures on the acreage that is released and reapportioned each year. What percentage of that would be planted or what percentage of that would remain unplanted for a definitely long period of time, we do not know.

Mr. JONES of Missouri. I have had several farmers with small allotments tell me when I recently visited southeast Missouri that they do not want to plant these small cotton allotments, that they have to plant it once every 3 years and they have to release it and they have indicated to me that you would have a large reduction by removing those two requirements.

I am opposed to the selling of allotments, going across State lines and elsewhere, unless we, first, try having the Government buying these allotments, spreading the payments over about 3 years. This allotment would be put over to the side where we might use it if and when we reach the point where we need a larger yield. I think that will do more to solve our problem than to try to lease or sell these allotments.

Talking about crossing State lines, I am opposed to that. There is no more reason for that, except psychologically, you might say, trying to keep it within the State, because within a State area you have just got about as great a variance in the production of cotton, for example, and I think that if you try to do it on the basis of yield that would open the way for a lot of finagling and stuff like that. I think that we had better set it up as a State requirement.

Mr. CALLAN. In the State of Nebraska, for example, if a farmer sells his corn allotment, what happens to the acres on the farm that the allotment was on?

Mr. GODFREY. We are not planning to include corn in this, because corn is a base, and we could not restrict the growing of corn on any particular farmer because it is entirely a voluntary program.

Mr. CALLAN. Then on wheat you would not have it, either?

Mr. GODFREY. Wheat is still in the negotiable stage. We are still studying it as to whether or not we could apply it to wheat.

Mr. CALLAN. How about feed grains?

Mr. GODFREY. We are studying wheat, not feed grains. It would not apply to feed grains. There are two problems that I think that the committee should be familiar with. We now have these situations which indicate the necessity for doing something along this line. One is the eminent domain provision that is now in the law which permits the pooling of allotments where a producer is displaced from the land. And, generally, we find that where this allotment is pooled and he has a right to acquire another farm and transfer the allotment to it, we find a lot of administrative headaches in this. You are familiar with what happened back early in 1961 and prior to those years where we wound up with, actually, the selling of the allotments, rather than the purchasing of the land on which to grow the allotments.

Another area is in the handling of what we call reconstitution, combination, and division of farms. We find all kinds of what I call, using a southern word, shenanigans, going on where a man will theoretically sell a piece of land to another man, deed it to him, have it reconstituted on the records in the office and all of the allotments and bases transferred over there and then through a technique of converting that land to noncrop land by putting it in grass or trees or something else, he can put in the trees for 1 year and convert it to noncrop land, then they redivide. This is prearranged, all in the beginning. They redivide it. And this man keeps all of the allotments. This man here does not get any.

Well, the allotment then has been sold. All this man here takes is the land and sells it to a third man. He comes in and plows it, plows up the trees. And he then resorts to the planting of crops that are not under quota, but only on base. This has afforded some real administrative headaches in the last few years. And, Congressman Gathings, you know that we have some problems in Arkansas on this at the present time. We have problems in connection with eminent domain in every State just about in the Nation, without exception. We do have these problems.

I have been trying literally to balance it up all of the time. What we are proposing here is a method to make it legal whereby we would not have to spend all of the time investigating and then taking the remedial action that is required as we find it. We do have, in addition to this, a problem of the retention of history. In Congressman Stubblefield's district they had several communications last year where you recall the producers said they would not plant the tobacco unless they were required to plant it every so often in order to retain the right to grow it. This is another problem.

Mr. STUBBLEFIELD. I thought that was eliminated.

Mr. GODFREY. It would take a change in the law to do this.

Mr. STUBBLEFIELD. As I recall, we had something to do with tobacco on the basis of the constitutionality of the allotments in perpetuity.

Mr. GODFREY. This is an objection. If you extend the preservation of history indefinitely. At one time the Congress did extend the preservation of history for a 5-year period without the requirement that any be produced. This was in 1956, and it extended it to 1960.

Mr. POAGE. Are there any further questions? If not, we are very much obliged to you, Mr. Godfrey.

Mr. GODFREY. We thank you.

Mr. POAGE. We will go off the record.

(Discussion off the record.)

Mr. POAGE. We will adjourn now until 10 o'clock in the morning.

(Whereupon at 12 noon the subcommittee adjourned to reconvene Tuesday, May 11, 1965, at 10 a.m.)

CROPLAND ADJUSTMENT

THURSDAY, MAY 13, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION AND CREDIT
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 1301, Longworth House Office Building, Washington, D.C., Hon. W. R. Poage (chairman of the subcommittee) presiding.

Present: Representatives Poage, Gathings, Stubblefield, Greigg, Callan, Redlin, Harvey of Indiana, Teague of California, and Dole.

Also present: Representative Hall of Missouri.

Staff present: Christine S. Gallagher clerk; Hyde H. Murray, assistant clerk; John J. Heimbürger, general counsel; and Jane Wojcik, staff.

Mr. STUBBLEFIELD (presiding). The committee will come to order, please.

The first witness is Mr. Poirot, Golden City, Mo.

Mr. TEAGUE of California. Mr. Chairman, may I say something off the record?

Mr. STUBBLEFIELD. Yes.

(Discussion off the record.)

Mr. STUBBLEFIELD. Dr. Hall and Mr. Poirot, we are happy to have both you gentlemen with us this morning.

STATEMENT OF HON. DURWARD G. HALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. HALL. Thank you very much.

I do not want to take one vital second from what I think is very valuable testimony from this witness who has come here all the way from the rural route near Golden City to testify on this vital subject before the Committee on Agriculture of the House.

This gentleman, better known as Gene Poirot, is a true son of the soil, Mr. Chairman. He is a member of the 79th Missouri Congressional District Farm Advisory Council and a very active one. He is a master conservationist, has done some interesting "bedside," I would say, research on his own farm, is a hydrologist, and is a great naturalist. He has written this book, "Our Margins of Life," which carries in a beautiful prose the story of a night on the prairie, observing the balance of nature. Predicated on that, and particularly the last two chapters thereof is, I believe, an inherent solution to the dilemma in which this Nation finds itself concerning farm problems.

It inculcates control of surplus, profit to the producer, narrowing that ever-enlarging gap between his costs and his income, options to

the farmer and to the community, and to the consumer, as well as the fact that the research has been done and it suggests cropland restoration by suitable cover crop to be purchased by the Government at considerable savings over the sum total of existing subsidy farm credits and restoration programs. The important thing is that this plan, while being a saving, is completely voluntary and would restore the soil, or our margin of life, if I may use the phrase of that book, for future generations.

This gentleman is so dynamic that I would ask permission that his statement be filed, Mr. Chairman, and Chairman Poage of the Conservation and Credit Subcommittee, and that he be allowed to speak in his own words off the record. It gives me a great deal of pleasure to present Mr. Gene Poirot of Golden City, Mo.

Mr. POAGE (presiding). We will be delighted to hear Mr. Poirot. We will be glad to put his statement in the record if he wants to. We will do it just as he likes. You asked that he speak off the record. We will be glad to have him speak off the record if you prefer.

Mr. HALL. Not off the record, Mr. Chairman; that he file his statement and speak off the cuff in his own inimitable and dynamic way.

STATEMENT OF E. M. "GENE" POIROT, GOLDEN CITY, MO.

Mr. POIROT. My name is E. M. "Gene" Poirot, Golden City, Mo. I am a farmer, have farmed for 42 years; and still am a farmer; began farming on some very poor land. That was the farm problem to begin with, but at present, I no longer have a farm problem. I am here at my own expense. I paid my own way, I represent no particular group of any kind, except perhaps the consumers who are my valuable customers and the final product of my farming enterprises.

Now, with those things in mind, I would like to outline for you roughly what I am going to try to tell you. I want to take about 3 minutes to state why I believe that national agriculture has failed the farmer and has failed the consumer. I want to call your attention to what I believe and what farmers believe to be the real problem, the national problem of agriculture and the advantages that would be found if we had one single law instead of a number of them that would correct these problems. I would like to point out the economic value of this correction, the scientific value, its flexibility, and its cost to the Government.

First of all, farmers now receive only approximately one-half the annual average return of that enjoyed by those who do not farm.

Secondly, there is an accumulation of surplus products which we have not controlled.

Third, we are using our agricultural potential to produce at a rate of 2.5 to 7 times as fast in tons of soil plant food minerals as we are returning those minerals in fertilizers.

That is a capital loss directly affecting the consumer, the consumer who must in this generation and in the next generation, depend upon the same soil for his food and fiber. It is a serious loss, a serious national loss. It is the road to disaster followed by many nations who now are hungry.

The real national agricultural problem is simply this: No. 1, to provide an opportunity for a farmer to make a profit in farming near that average of those engaged in other work.

No. 2 is that the consumer be provided in this and coming generations with an abundance of food reasonable in cost, and capable of better nourishing his physical body and mind.

Thirdly, that the Government find a way and accepts the responsibility of maintaining the capacity of our national cropland to produce by requiring that the amount of plant food returned to soil in fertilizer be equal to that used in crop production.

Now, if one single law instead of a number of them could accomplish these objectives, it would be less costly, it would be more effective and it would be easier for a farmer to comply with than those we have at the present time.

Such a law is written in very simple terms in the bill called "Cropland Restoration." It is H.R. 7164. In its operation, it would eliminate surpluses and their costs. It would eliminate the necessity of a Federal grains program. It would eliminate the necessity of present soil bank land payments. It would eliminate many of the costs of the ASC Service and at least part of the cost of the soil conservation service and perhaps some others. That bill provides that the Government buy soil restoration in direct competition with the products that the consumer buys in foods and fibers. In other words, we have a certain amount of agricultural soils in the United States. The consumer will be bidding for the use of some of that soil for the production of foods and fibers. At the same time, the Government will bid for the use of some of it to restore its fertility. The purpose is to prevent the 200 to 700 percent loss we now have each year so that the next generation and the following generations can live as well from that soil as the present one does.

It seems to me that one of the functions of the Government, is to see that this resource is restored rather than wasted so that our children will not have to live on starches and vegetable proteins instead of the animal proteins and good foods we enjoy.

In order to understand what I mean let us first consider rich soil. It does not make any difference where it is; it offers abundance in the products it grows. It also offers good health to plants, animals and people, who live on it. It offers a means of low-cost production per unit to the farmer who farms it. Prosperous people live on rich land.

Poor land, on the other hand—and I know about poor land: I have experienced its effects until I built it up, delivers scarcity, diseased plants and animals and final death. The man who operates it goes broke. In most cases the farm problems can be traced to it. On any farm Mother Nature uses air, water, sunshine and the plant food minerals in the soil for making a blade of grass or a human being with a mind that can think and reason. But one must give her the tools to do so if we expect her to make a good product.

I am going to just take a moment to call this to your attention as I experienced it because I think it is most vital—I started farming on a piece of land so very low in plantfood minerals that it not only produced low yields, but the cattle grazing on it, all registered animals, began to break their bones; and their calves broke their legs when jumping over ditches. They developed diseases such as lumpy jaw,

hemorrhagic septicemia, foot rot, Bang's disease, pink eye and others. We found that we could cure lumpy jaw by adding iodine to the salt, and later to the soil. In 1928, we discovered the shortage of magnesium when the cattle grazed spots where there was an abundance of it. In a spot where we put some turkey manure that came from the turkey house where turkeys had been given some epsom salts containing magnesium. The cattle grazed but left the patches fertilized with the turkey manure that did not have the epsom salts in it. Calf scours disappeared from our herd, when we applied magnesium to the soil.

In 1936, we found the need for copper and because we used it and cobalt, pink eye disappeared. Later on, Bang's disease—which is undulant fever in human beings—disappeared as we restored fertility to the soil. In short, for the last 23 years, this herd, all offspring from the original cows has not needed the services of a veterinarian for the treatment of any infectious disease.

Now, certainly, that is a point very much worthwhile considering in terms of the health of people. It is the result of soil restoration.

The people who have read my book, and in particular the doctors, say, "My gosh, this thing of soil restoration must be done; you must attempt in some way to get this information to the people." It was Dr. Frank Birsner, of Carthage, who started the drive to supply each Member of Congress with a copy of my book, "Our Margin of Life." He said this is so vital to the health of people that the Congress should know about it.

Now, this bill, cropland restoration, as a law would be implemented about this way. The Government would come to me and say, "Gene Poirot, we are ready to offer you \$25 a dry weight ton for sweet clover plowed under on your land. You pay all costs and keep the soil on which it grows out of production for 1 year." I use sweet clover for the Corn Belt because it is a soil-restoring crop and measures how well the farmer has done his job of soil restoration. It will be a different crop, Mr. Poage, down in Texas and in the South, it will be different over in the tobacco country and in the Northwest. But each university knows what that crop should be to bring about and measure soil restoration on a piece of land. We shall say that it is sweet clover in the Corn Belt, because before a farmer can grow sweet clover, he must apply limestone, phosphate, magnesium, and other minerals, all of which are necessary in producing good animal and human foods. Sweet clover has also the capacity of taking some trace elements from the soil, minerals themselves, which are there in rock and only needed in small amounts for the growth of sweet clover, but also necessary in human nutrition.

Sweet clover through the bacteria on its roots takes nitrogen from the air and makes it into protein and later fertilizer for the next crop. It also adds organic material. It is a suitable soil-restoring crop for the Corn Belt.

So, you say to me as I have said to many farmers over in our State, "What percentage of your cropland would you shift to the production of sweet clover? You pay the cost and be responsible for doing it, if the Government paid you \$25 a dry weight ton for plowing it under?" The answer was 23 percent down in the dairy country, where they grow little or no grain. I told them they could take their marginal cows out of production and shift the land on which their feed was

being produced to sweet clover. They would thus be paid for enriching the soil while improving their herd. And when they did that, they would also be increasing the fertility of their land so it could carry more cows per acre and produce milk at less cost per pound and actually make a net profit without assessing that cost to the consumer of that milk. In other words, more efficient agriculture. So 23 percent was their answer.

I went where there was a little more corn and grain grown and some beef cattle. There the percentage jumped to 30 percent. I went to another place where there was still a little bit more grain. There the percentage went to 32 percent. Then I went into the north Corn Belt part of Missouri, where they grow corn and soybeans on our rich land. I thought, these fellows would retire about 15 percent of their cropland.

I was surprised at the results. The results were 47.5 percent. This was figured as the average of all answers from zero to 100 percent. The average was 47.5 percent.

I asked them, "Why did you do that?"

They said to me, "This is the first time that anyone ever suggested anything that had a bit of freedom connected with it. You give us a choice. We could say zero or 100 percent. You also said we should consider the costs of producing our crops, and the money we are offered for them as of today."

Now, on the basis of those costs, we know what percentage of our land will produce most effectively and most efficiently and we know what land will not. We are making our own parity price right here. That is why they gave that answer.

After the meeting was over, several of them came to me and said, "Why did you not make your speech first? We would have given a figure of 80 percent instead of 20 percent."

Another fellow said 100 percent instead of 10 percent. They said, "Since you have explained it to us, that it is an altogether different approach that present farm programs."

I said, "There will not be any Government-pegged prices for any of your corn, grain, soybeans, or anything like that."

They said, "What difference does it make? If the market is too low we will shift land to sweet clover at \$25 a dry weight ton. Some of us may get \$25 per acre, some of us \$30, some of us \$50. But the cost of doing that leaves us more net profit per acre than we can get out of growing other crops at the present time at present costs."

That is how simple it is and how acceptable it is to farmers who answer this question without me going into the details of why.

Down in Arkansas, where I have grown rice and some cotton, I asked rice farmers about the same question. Their answer was sometimes 25 percent, sometimes 50 percent, sometimes 70, depending entirely upon the fertility of the farm and the problems they had. A farmer knows what land should be retired. He also knows that when he builds it up, he lowers his cost of production and at the same time controls his surplus up at the other end.

Now, what is the science connected with it? The science connected with it is simply this, that whenever you improve the soil, as I pointed out a little while ago, and as I did on my place, you also improve the health of plants and improve the health of animals.

Certainly, if undulant fever in human beings is stopped at the soil level, we do not have to pay the taxes to stop it at the cow level as we do in our State now. And certainly individuals do not have to pay the cost of stopping it at the human level by seeing their own doctor.

So the science of it is better health and abundance. And certainly abundance is a very, very important factor in a world that does not have any abundance any more so two-thirds of its people are hungry. Many other people are living on a diet of starch and vegetable proteins while we here still have our tremendous capacity to produce excellent food.

With 230 million people to be here by 1975, I do not see how we can think in terms of retiring land and letting it grow up into trees and into brush. I think that it is very, very important that we have that land ready to produce an abundance of food and fibers and perhaps other plastic materials that are necessary in industry.

Now, for the economics of it. We have put a dollar value floor under production by giving a definite value to a suitable crop, a floor below which no farmer need go in producing food or fiber. Call it his minimum wage, call it a parity price, call it a fair price, or whatever you want to call it. But anyway, it is a floor beneath which no one needs to go. Each farmer competes with other good farmers, in producing food or fiber. But whenever he produces a surplus, he knows it. He says, "OK, my wheat only made 10 bushels to the acre on this land. I sure cannot produce wheat for the consumer and make a profit at that low a yield so I will go over here and produce soil restoration for the Federal Government until my land can again meet competition with better land."

He thus controls the surplus and shifts land back into production when the demand is there.

The other advantage is that the cost per unit is reduced. This is not done when land is idle, growing up into grass or something like that. It is not improved, so the problem of the next farmer who operates it has not been changed. The Nation has not bought anything of value. We have paid for soil retirement, we have controlled some surplus, but we have not bought better and cheaper products for the consumer or improved the economy of the farmer in doing that. It just does not happen on idle land.

Now, the next point is, of course, the economic effect on the community. Well, the farmer is still a producer in that community. He does not leave his land because he has abandoned it or because he has put it in the soil bank or some other place. He stays there and operates it and builds it up. He is still a customer in that community. The little bank at Lockwood, Mo., that my father helped start about 60 years ago, a \$50,000 bank, supported this soil restoration program and has for years because I asked for it and because I was successful with it. That bank is now a \$4.5 million bank and the closest bank of that size is in a big city 30 miles away. The wealth is increased in the local community when we follow the soil restoration program.

In addition to that, this program is flexible. Whenever you offer a certain amount of money for a suitable crop, you can buy other values of national importance. You can say, OK, Gene Poirot, you can get \$25 for your sweet clover. But we will pay you more if you grow it on a terraced land, but you build the terraces and see that they

are good and will hold the soil in place. And we will, Mr. Gene Poirot, pay you \$40 a ton if you grow the clover on soil where you have provided for water conservation and rainfall irrigation.

We have already done so. We are within 4 miles of where the water either runs into the Missouri River or into the Arkansas River. We are on top of the hill, yet we impound enough flood water, rain water for irrigation from the average runoff of 10 acre-inches a year—we impound enough of it to irrigate 300 acres of corn a year on soil that is only 6 inches deep, soil that last summer, in a drought disaster area, received only 63 hundredths of an inch of rain from the 13th of June to the 13th of August, but produced 20 bushels of corn without irrigation and 117 bushels per acre with irrigation at a total cost of \$3.88 an acre for the water and the labor and the depreciation on the plastic pipe.

Now, what else does that mean? Irrigation, yes, but we also change flood waters that we vote taxes to control with big dams so as to prevent destruction downstream to an asset. That water cannot cause a flood, it is stopped. It is up on the high place on my farm where all we have to do is open up a valve and run it to the corn field. We put it up there at the cost of approximately \$1.15 an acre-foot, with a farm tractor that we already have, and one worn-out pump out of the mine fields. That is the cost per acre-foot but we need only 6 acre-inches or less to irrigate our corn to get these maximum yields.

It is also wildlife conservation because ducks and geese use it. It is also fish conservation. As many as 19 carloads of fishermen have been there in one day. All they have to do is keep the gate closed and they can go fishing. One man said, "We have been keeping track." There are six families of them and they could not buy the gas to go to a big lake anywhere. He said, "We have weighed the fish that we took out of your pond since last March. These just make 1 ton of fish that we have removed from there since then."

So you see, this program can do more than control surplus. We can tie water conservation to it, we can encourage the shift of land from one crop to another—some day the tobacco farmers may be in considerable trouble. They may have to grow a different kind of crop. OK, with this kind of law, we will be ready to say, here is a crop which you can grow for soil restoration until you can shift to a more suitable crop; an industrial crop, perhaps, which will be profitable. For years agricultural stations have been studying various industrial uses for products that we can grow from the soil. In other words, the possibilities for controlling the future use of land and its capacity to produce are in this approach to our farm problems.

Now, what is the cost? Well, first of all, in figuring the costs, we must consider that we will save the costs of surplus storage, because there is not going to be any surplus. A farmer has that obligation dumped in his own lap, he determines what acres produce the unprofitable surplus on his farm so he takes them out of production. He controls the surplus and increases his efficiency. The storage cost disappears. The cost of the feed grain program, the cost of the giveaway surplus programs disappear. The cost of much of the ASCS programs disappear. The number of people that it will take to run it will be much less. They will be trained people; not just farmers that could not make a living on their farm.

So those costs are saved. But let me point out another one, one that you probably do not consider very often. It is called depletion allowance for taking a natural resource. For gravel, it is about 5 percent of the gross profits. For coal, it is 10 percent of gross profits. And a lot of strip miners buy coal for less than half that allowance per acre and it is paid by the Government, as a tax allowance. Then the coal that is under the land and the agricultural resource above it are both destroyed. The man who mines rock phosphate and limestone gets 15-percent allowance.

Whenever I ship grains or livestock to the market, I ship phosphate and limestone. But I am not allowed any depletion allowance on my land. But if we took that depletion allowance on the basis of approximately \$30 billion agricultural income and took 10 percent of it as a depletion allowance for destroying land, it would amount to \$3 billion that really should go back to farmers in income tax relief for destroying land.

I am not suggesting that. I am talking about the Government paying for restoring the fertility to our soils. It would be like putting back the oil in the well, putting back the coal in the mine, putting back the lead in the lead mine. I am talking about restoring the minerals for agricultural production. I am talking about restoring and holding the resource of rain instead of letting it cause floods downstream. I am talking about protecting the human resources, farmer and consumer. And I think we can do it for less than \$3 billion.

As a matter of fact, I think we can save more on the present agricultural program than this restoration idea costs.

Let's take this figure. Somebody said that we should retire 50 million acres of our cropland. If we assume that farmers will shift only 20 percent of their cropland to soil restoration in place of the higher figures they have given me, then 20 percent of 300 million acres would be 60 million acres.

Let's figure on 60 million acres and let's use the figure of \$30 per acre as the average. Some farmers are only going to get \$12.50. Some of them may earn \$50 or more but \$30 would be near to what they could earn on the poor land shifted to this program. Land that produces 100 bushels of corn per acre would earn more growing that crop but the poorer land would earn more in restoration.

Let's say that 60 million acres at \$30 per acre came out of surplus production. The cost would be approximately \$1,800,000. Twenty five dollars per ton may not be high enough to be a minimum wage floor, but it is a very excellent place to start at. Certainly farmers take that figure at once and say, "It will return more net profit than I am getting now on this percentage of my land," and I gave you the percentages a little while ago.

In the last speech that I made, where they had read this book, "Our Margin of Life" and where they know me and know what I have done, they shifted 68.5 percent of their cropland to sweet clover at \$25 per dry weight ton. I did not give you that figure a little while ago because I do not think it is fair to use it.

(Mr. Poirot's prepared statement follows at this point:)

STATEMENT BY E. M. (GENE) POIROT, GOLDEN CITY, MO.

Mr. Chairman, my name is Gene Poirot. My home is Golden City, Mo. My occupation is farming.

I am here at my own expense. I represent only my customer, the consumer who is the final user of my product. Congressman Hall's interest in my views on conservation and the bill he has drafted therefrom, parallels my own interest because he is a very successful doctor interested in the physical and mental welfare of people.

My qualifications are simple. I'm a farmer with a degree in Agriculture from the University of Illinois, more than 40 years experience in farming marginal land under the most adverse conditions of agricultural depressions. I'm familiar with growing cotton and rice in Arkansas, corn in the Corn Belt in northern Illinois and Ohio, small grains, corn, and livestock in Missouri.

I feel that agricultural programs of the past are inadequate to meet present-day needs even though they have been of great help to the farmer in the past 30 years. The reasons are these:

(a) The farmers have increased their production by 94.5 percent in the past 10 years under programs designed to reduce it.

(b) The farmers net income has gone down 10.8 percent during the same time under programs which were supposed to increase it.

(c) Farm poverty as measured by family incomes of less than \$3,000 per year has reached 43.4 percent against only 17 percent for families who do not farm, indicating a failure in any kind of parity relationship between farmer and nonfarmer which past programs were to bring about. Though these programs have brought cheap food to the consumer they have failed him, in that the potential by which this food is grown has been reduced. For example, "World Population and Production," published under a Rockefeller Foundation grant, reports that we use from 2½ to 7 times more of various plant food minerals from our soil to produce food and fiber than we return as fertilizer.

As I and the 600 consumers I produce for, see the farm problem, it is primarily that of producing food and fiber in generous amounts, better in quality, and at a reasonable cost for the consumer in this and coming generations.

The farmer's part of the problem is that of receiving a fair reward for (1) meeting the needs of the present consumer, and (2) leaving the soil with a potential high enough to serve the next generation as well.

I believe this can best be done through the mechanism of providing the farmer with a second market, one we shall call soil restoration. He then has a choice between producing for the commodity market or the market which the government provides for soil restoration, whichever offers the greatest reward. The method of providing this new concept is spelled out in Congressman Hall's bill which in reality is an expansion of title 5 of the administration farm bill, except that it envisions this second market, not as an additional layer to our present farm program, but as a replacement for much of the present program.

Visualize the farmer being supplied with two markets for the products he can produce with land, labor, and capital—one is food and fiber for the consumer, the other is soil restoration for the government at a minimum wage price level below which he need not go in producing food and fiber. The control of surplus is thereby in his hands.

The intent is to have the government competing with the consumer for land use in such a way that it will preserve our potential to produce good products, in abundance, at a reasonable cost. The second market created by the government offering to buy tons of a suitable soil building crop plowed under, can at once become the equivalent of a floor, a minimum wage, a free parity basis determined by the farmer below which he need not go in producing food and fiber for the consumer.

It differs from all other farm programs in offering a reward for soil restoration at a previously determined amount in place of offering a reward at some pegged price for specific crops and products causing farmers to produce a surplus in those lines.

It is truly a second market to which the farmer can shift land without producing an unwanted surplus, yet producing a product of great value to the consumers.

It differs also by emphasizing the importance of the consumer in agricultural production. In reality he is the final product of agriculture, and agriculture would disappear if there were any other way to carry out that function.

With this thought in mind, this vastly expanded soil restoration approach offers a vehicle for the science of agriculture to not only divert land so as to prevent surplus accumulations, but by means of buying a suitable crop to—

1. Increase the agriculture potential to produce toward that time when we will have not a surplus but a shortage in the face of the population explosion.

2. Supply the necessary factors in the soil for the production of higher nutritional qualities in food and fiber.

3. Provide the time element necessary for the farmer to shift his production from one crop for which there may be a decreasing demand, as for example tobacco, to another crop which has human food or industrial value.

4. Provide a means of restoring an environment for preserving our margin of life, the soil, and wild life as a means of controlling harmful insects, as well as creating recreational areas for the fisherman and hunter who are willing to pay for the privilege of pursuing their sport.

5. Provide a means of water conservation which can be brought about by offering more money per ton of the suitable crop when grown on a farm where surplus rainfall is impounded in ponds and used for irrigation. Such waters in addition to the economic values of irrigation, replenish subsoil water, prevent floods, siltation of downstream lakes, offer wildlife habitat, provide water for farm home and livestock use.

How would we determine the suitable crop?

It should be one that will measure by its growth and yield the degree of soil conservation or soil restoration which has been done or is being done by the farmer. In most cases this will be a legume such as sweet clover for the corn belt, crotalaria or some kind of legume for the cotton belt, perhaps some lespedezas for rice farms, red or ladino clovers in the eastern and western parts of the United States.

In the very dry parts of the wheat States, suitable legumes or even grasses may be acceptable because generally speaking, the supplies of minerals such as calcium, phosphates and magnesium and potassium are often abundant in regions of low rainfall.

Interpretation of "suitable crop" as given here is primarily one of considering the farmer solving his problems of production by increasing the fertility of his soil * * * thus reducing the cost per unit by increasing his yield per acre. At the same time he increases his net profits by lowering his costs, he also reduces the surplus by devoting acres to the "suitable crop" in place of some surplus producing crop.

Each farmer is thus given the freedom to choose not only for which market he will produce (consumer or government), but the acres on his farm in number and in place most profitable for either production.

THE COST

Our present philosophy seems to go along with the idea of paying for the destruction of a natural resource, calling it a "depletion allowance." It runs from 5 to 27½ percent of gross profits as a cost item in figuring income tax. Strip miners often buy coal for much less than that depletion allowance and in mining it destroys not only the resource of coal, but the agricultural potential to produce in the land above it.

If we would figure agricultural products of no greater value than coal, and using the figure of roughly \$30 billion as their gross value, multiplied by 10 percent, the figure used for coal, the answer would be \$3 billion as an amount to be paid to farmers each year in income tax relief for destroying our agriculture resources.

The producer of limestone, phosphate, and other plant food minerals is given a 15-percent depletion allowance. The cost of restoring our soil resource I believe will be considerably less than \$3 billion a year at the present time if we undertake it. And bear in mind, that I am speaking of an amount, not

in addition to the present price support program, not in addition to the high cost of storing surpluses, and not in addition to much of the cost of our present ASCS, but to a very large degree in place of those programs. The bill, for example would eliminate the present 90 percent support price for corn, and substitute instead the choice between the two markets, one for soil restoration and one for food and fiber.

At the same time, such a program could control the surplus program, it would—

1. Keep the family farm in operation.
2. Prevent an interruption in the local economy, because the farmer would still be an active buyer and seller, and taxpayer.
3. Supply the consumer with better food, in abundance at lower cost.
4. Give the farmer a chance to determine his own parity, lower the cost of production per unit by increasing his yields, a defense against high local prices of what he must buy and a defense against low local prices for what he has to sell.
5. And most important, provide the next generation with a permanent agricultural productive capacity equal to that we enjoy now, and capable of meeting the demands of an exploding population.

Mr. TEAGUE of California. May I interrupt at this point?

One thing is not quite clear to me. I am not entirely familiar with farming in the Midwest. Suppose a man says he wants to retire half his farm and put it into clover. You are going to pay him on a ton basis rather than an acre basis, and I think that is good, personally, which means the clover is going to be harvested, is it, so you can measure it in dry tons?

Mr. POIROT. The clover would be plowed under.

Mr. TEAGUE of California. How do you find out how many tons he plows under?

Mr. POIROT. I am glad you asked that question. To measure a standing green crop we made a hoop of such a diameter that it would encompass one-fortieth of an acre. It is made of a steel rod about a quarter inch thick. A man throws it a certain distance while going through this field. He cuts the clover inside the hoop. He also separates the weeds from the grasses. Then weighs the clover.

To get its dry weight he can then mix it with a chemical which will dry it out or he can multiply its green weight by a factor to give the dry weight. The dry weight is then multiplied by 40 to get the yield per acre.

Mr. TEAGUE of California. I understand, thank you.

Mr. POIROT. Another part I should like to suggest is that I believe the Federal representatives should make the bid on the spot and tell the farmer, what it is for the field, he can accept it or refuse it.

He may decide it is worth more for seed, or for pasture, or to plow it under and put it into grain that year, because the market price went up in the last 2 months. This leaves the farmer free to respond quickly to a consumer demand.

The program is flexible and it is free. He does what he pleases. If he grows too much and the price for the grain goes down, he may keep it in his own bin to sell next year and then shift acres to the soil restoring crop.

Any more questions?

Mr. TEAGUE of California. I have one more, Mr. Chairman.

Have you presented this program to the Secretary of Agriculture or anybody in authority down there?

Mr. POIROT. No, I brought it to you people first, because Dr. Hall was intensely interested in it from the standpoint of a doctor. So

was Dr. Bersner at Carthage, who was responsible for bringing these books to you, "Our Margin of Life." He and an insurance salesman started to buy enough for all of you. I insisted that they should be bought by least 100 people. If 100 people thought the idea was important enough, we would send them to you. Well, 152 signed up for that so quickly that we never got it stopped at the 100 level. That is how those books came up here. That is an example of the public interest in solving the farm problem in a sound, sensible way.

That is why I am here and why, I told you to begin with the only ones I represent are the people for whom I produce foods. They are my final product, and when I see them, I sometimes worry about how good a job I do. They buy vitamins and minerals at the drugstore, more and more of them go to the doctor, and to the hospitals. I think I am suggesting a safe way to give them good food until we know a better way. I will come back if you want to see me and if you do not, it is all right. We will leave as good friends and I certainly want to tell you I appreciate very much the time you have given to me and your interest.

Mr. DOLE. Do you participate in any Government programs now?

Mr. HALL. Mr. Chairman, if I may add to the question by Congressman Teague, through the courtesy of the Department of Agriculture, Mr. Poirot is going there at 11:30 today.

Mr. DOLE. Mr. Poirot, do you participate in any Government programs at the present time?

Mr. POIROT. Oh, yes, I have participated in all programs all the way through because we thought it was our duty to do so and because we want to do so.

Now, in one particular case, though, let me describe to you just why these things have not worked like you believe they should work. Back a long time ago, when the wheat program first came along, we had a drought that prevented us seeding our normal acreage one year, and then we had a wet spell to prevent us doing so the next year. This reduced our allotted average from our normal 400 acres to only about 90 acres. We went along with the program.

But they did not at that time give us any allotment for corn, because they thought we could not grow corn down there anyway. We never could get our wheat allotment back. So we shifted land to corn.

Up to that time, we could only grow 20 to 25 bushels to the acre. Then by our own research we learned how to grow more with proper fertilizer placement and irrigation. Now we will compete with any corn grower in Iowa or Illinois. We have a corn acreage allotment of 450 acres. So we actually defeated the purpose of the program. But we had to do so to make a living. It was not a case of trying to disrupt the program. It was merely a case of finding a way to stay in business.

This fall, I was hunting up around Jerico, Mo., and I saw land up there in the soil bank, that had once been pretty good land, productive land, that should be growing something now. The buildings and fences were gone. Here was a woman with a little baby living in a two-room house on this one place. I asked her if we could hunt. She said, "Yes, you can hunt." But she said, "It is a cold day. I wonder if you would let me know if you find my sow."

I said, "A sow?"

"Yes, the sow got away from me and she is supposed to have pigs before long."

I said, "Where is your husband?"

She said, "He is up in Kansas City trying to make a living up there and he comes back once a week. And you know, even before we had this land in the soil bank, we got along a little better than we do now, because it costs so much money for him to live up there."

I said, "Why do you not change?"

She said, "We cannot do it. We do not know where to go."

Now, just how much truth, or what is in back of that, I do not know, but I think it is pretty pitiful and one of the reasons why I believe we should get this farm problem corrected and get it corrected on a sound, scientific basis. Soil restoration will be needed there someday and this farmer should be doing it.

If you bring in a group of scientists, men from the Department of Agriculture who know soils and who know production costs and who know what we should do nationally, I think that you will find that they will agree to this approach to a very complicated problem.

Mr. HEIMBURGER. May I ask the gentleman a question?

Mr. POAGE. Yes.

Mr. HEIMBURGER. Mr. Poirot, I am John Heimburger, committee counsel. I would like to ask you just one question.

Now, I have gathered from your testimony that you are thinking largely in terms of grains and livestock production, which is common to your area there in Missouri. Do you think that your proposal would work effectively in the area of cotton and tobacco, these highly specialized crops?

Mr. POIROT. Yes, sir; and rice and the arid regions of the West where wheat is grown. There you would offer a different suitable crop. Now, perhaps in the cottonfields, it might be crotonaria or one of the vetches. Say to a farmer, OK, you grow so many tons of this, plow it under on your land at so much money per ton on those acres where it will be more profitable to do so than growing what you now grow.

Mr. HEIMBURGER. Excuse me, this is not quite my question. I understand that we can find a suitable replenishing crop in these areas. But could the return off of growing this substitute crop be large enough, ever be large enough, to encourage a man not to plant cotton or not to plant tobacco?

Mr. POIROT. Why, make it large enough. That is up to the Congress or the Secretary of Agriculture. I just used \$25 a dry weight ton, picked it up out of the air.

You see, originally, I said x dollars.

Mr. HEIMBURGER. In other words, your answer is that the payment per ton might have to be different in different parts of the country to bring about this shift?

Mr. POIROT. Might have to be different. But there is the important thing, that the net profit that is left be pretty well constant. For instance, one of the farmers at Chillicothe said to me when I said to him—"You are in this rich corn country, you can grow 100 bushels of corn to the acre, even if you have to have \$15,000 worth of machinery to do it."

He said, "Maybe you do not know anything about production costs up here. The facts are these. When you talk about producing corn,

you are talking about \$15,000 worth of machinery and in my case, repair costs of \$5,000 a year. When I visualize this crop you are talking about, it takes a hand seeder, and you can hire somebody to bring you the lime, phosphate, and other stuff. It takes a hand seeder and a plow which is on every farm. So the net profit that I get here from growing a ton and a half of sweet clover is more money than I can make out of over a hundred bushels of corn."

Mr. HEIMBURGER. I understand.

Mr. POAGE. Let me suggest that I have done a little figuring here and if you get \$25 an acre and figure 400 million acres of farmland in the United States—you figure 3, but if you figure 400 million acres in the United States, \$25 an acre is \$10 billion. That is the total income of agriculture. That is not the net. That seems to be the gross income you attribute to agriculture.

Now, either you have to have the Government——

Mr. POIROT. Mr. Poage, there would never be a time when the farmers would ever attempt to put it all in.

Mr. POAGE. I recognize that. But you pointed out that you had to have these prices competitive, that the Government had to pay a price for the growing of sweet clover or other soil-building crops that would be competitive with what the farmer could make on the land if he put it into the growing of a grain crop or a watermelon crop.

Mr. POIROT. It would be competitive with the price the consumer would offer over here, which would fluctuate up and down.

Mr. POAGE. That is right, but if the consumer did not offer more than \$25 an acre, then the man would put his land in clover, would he not? That is what I understand to be the whole purpose of the thing.

Mr. POIROT. It is not \$25 an acre, it is \$25 a ton. We assume that he would average, all over the United States perhaps \$30 an acre for the land that he would retire to this crop. Now, if there is a surplus of acres, of 50 million acres, we can say there is a surplus of 60 million acres, and 20 percent of the 300 million acres of cropland, which is in crop, is 60 million acres. So 60 million acres would take 10 million more than all of the surplus land the economists figure that we have.

Now, that, multiplied by \$30 an acre, which we assume might be the average figure, would be \$1,800 million. It certainly would not go beyond that, because as soon as it did, the price of foods would go up to attract the demand—that is, to attract the land from restoration here over into producing food.

Does that make it clear?

Mr. POAGE. Yes; I think you clarified it. I thank you.

If there are no further questions, Mr. Poirot, we are very much obliged to you for a very interesting discussion. I think we are all interested in conserving the fertility of our soil, because after all, what we want conserved in the soil is its productivity. We do not want to conserve merely spaces to hold earth together. We want to preserve that which will grow crops.

We are very much obliged to you for your interesting discussion.

Mr. STUBBLEFIELD. Mr. Poirot, how are you going to get a fellow on a tobacco farm, with a 2- or 3-acre tobacco base, to switch to sweet clover at \$25 a ton when he could probably pick off \$3,000 from 3 acres of tobacco?

Mr. POIROT. Well, is that his net?

Mr. STUBBLEFIELD. Well, say it is net.

Mr. POIROT. Net of \$3,000 from 3 acres? That includes, of course, his labor costs—well, I do not know. I do not think you can compete with that. I do not think there is any chance. If he is making that much profit, he is not in trouble. He is not a farm problem. The same thing is true of the man up in Iowa who has rich land, and he can produce 100 bushels of corn to the acre without any fertilizer at all. Well, he will still be producing corn when I have to go out of production of corn, when my fertilizer costs run around \$13 per acre.

Mr. STUBBLEFIELD. He would be in a little trouble with a wife and six kids, would he not, with a \$3,000 income?

Mr. POIROT. You mean he has only 3 acres that he can get that off of? That is \$1,000 an acre. Well, that would be a task—that would be something we would have to work out on the basis of the Department of Agriculture and the people who are in those tobacco countries. If ultimately, the price of tobacco goes down where this farmer cannot make a living and either he has to have more acres than 3 acres on which to do his farming, or we have to find a more valuable crop for him. But I do not think that we can ever be to the point where we can pay for soil restoration in competition with that kind of an income from 3 acres. I do not think that is realistic. We just cannot do that as a Nation.

Mr. STUBBLEFIELD. Well, it is realistic all right. You just do not understand tobacco.

Mr. POIROT. Well, I do not understand farmers too well, either. We produce a high yielding hybrid corn and we guarantee it to yield more corn than any corn a farmer can compare with it or we give his money back for the seed after he has used it in the fall. But we do not have many takers on that. We sell corn all right, but we thought everybody would want to take that offer right away. So I do not understand all of them either.

But it seems to me that where that problem is as real as it is in your country, we should be doing something very drastic about it. Because if these people are to be farmers and classed as farmers and continue to farm, we should be spending some money on research to find a pretty good substitute crop if they cannot use tobacco, so they can continue on. Because the land is still important to the people of coming generations.

We might say, okay, let this farm die, get the farmer off. But that does not correct the problem that land is still important to people. That is the viewpoint I have about all the land, my kids and yours will have to live off it.

Mr. HARVEY. Mr. Chairman, I would like to join my colleagues in thanking Mr. Poirot for his presentation here. I was one of those who was a lucky recipient of the book which he has described for us here today.

I appreciate very much, Mr. Poirot, your presentation and your sincerity.

Mr. POIROT. Thank you, Mr. Harvey.

Mr. POAGE. We are very much obliged to you and we appreciate your coming.

Dr. Hall, we appreciate your attendance.

Mr. HALL. Thank you, Mr. Chairman. It was a privilege.

Mr. POAGE. We now call Mr. Fritz Heidelberg, Uplands Cotton Growers, North Carolina Cotton Promotion Association.

STATEMENT OF FREDERIC H. HEIDELBERG, EXECUTIVE VICE
PRESIDENT, NORTH CAROLINA COTTON PROMOTION ASSOCIA-
TION, AND UPLANDS COTTON GROWERS, INC.

Mr. HEIDELBERG. Mr. Chairman, my name is Frederic H. Heidelberg. I am executive vice president of the North Carolina Cotton Promotion Association with central office in Raleigh, N.C. This Association is the certified cotton grower commodity organization in the State. It is supported by all cotton growers in North Carolina under authority of a State agricultural commodities enabling act. In 1963 there were 72,099 cotton farm allotments in that State.

I am, also, executive vice president of Uplands Cotton Growers, Inc., a grower organization with broad support in the States of Alabama, Florida, Georgia, North Carolina, South Carolina, and Virginia. Its regional office is in Raleigh, N.C. In the southeastern uplands area in 1963 there were 319,663 cotton allotment farms. Support of this organization is on a voluntary basis. At the present time, although it is only 15 months old, more than one-fourth of the total crop in these six States is in support of this movement. Increasing support is developing month by month.

Both of these organizations of which I am executive officer are member organizations of the American Cotton Producer Associates, a belt-wide confederation of cotton producer organizations from California to North Carolina. I serve on the executive committee of this organization.

I appreciate the opportunity of appearing before this committee today. I come to voice opposition to title V of H.R. 7097 entitled "Cropland Adjustment."

I will state briefly that I oppose the revival of the 1965 Soil Bank Act as a whole. I am certain after careful investigation, that the amendments to the Soil Bank Act of 1956 which comprise the language of this title that it is simply a revival of that act both in its acreage reserve and conservation reserve features.

I want, in particular and in detail, to voice objection to the inclusion of cotton allotment acreage in title V of H.R. 7097.

In requesting that cotton allotment acreage be excepted in this title, I speak for 40,883 bona fide cotton growers in the State of North Carolina who in 1963 (and approximately the same number in 1964) held and actually planted effective cotton allotments. The average cotton acreage planted on these farms was 9.5 acres, after release and reapportionment of unwanted cotton history allotment acreage within the State.

I speak for more than one-third of the 181,208 bona fide cotton growers in the six southeastern uplands States. The individual cotton farm allotment in this area after release and reapportionment averaged only 13.5 acres.

I make special note of these average acreage allotments after release and reapportionment due to the distorted statements frequently made that the release and reapportionment program of cotton acreage allotment results in bloated acreages of cotton planted by a few farmers who are said to get preferential treatment. Nothing could be further from the truth. This program only gives some desperately needed assistance to the family-type cotton farmer in a broad area of this cotton belt.

I speak to you also not only in the dual role of executive vice president of the North Carolina Cotton Promotion Association and Uplands Cotton Growers, Inc., I speak to you as an active policymaking member of American Cotton Producer Associates, and recently reconstituted Cotton Producers Legislative Committee for 1965.

Both the North Carolina Cotton Promotion Association and the Uplands Cotton Growers, Inc., have unanimous positions which are in opposition to revival to the soil bank (sometimes called cropland adjustment program) on cotton allotment acreage.

The almost beltwide position of American Cotton Producer Associates confirmed in a Washington, D.C., conference on April 12 and 13, and reconfirmed in Memphis, Tenn., on April 20 is this recommendation: "Cotton should not be included in the cropland adjustment section of the omnibus farm bill and we urge that it be eliminated." This statement is to be found in point 1 of exhibit 2 which is a part of this testimony.

The principal reasons for these almost unanimous cotton grower oppositions to reenactment of a soil bank on cotton acreage allotment, in addition to the bitter memories of the 1956-58 acreage reserve fiasco which left scars still visible in ghost towns across the cotton belt in once thriving agricultural communities, are these:

I. Bona fide cotton growers should retain the initiative of making the decision of whether to reduce cotton production.

Under a soil bank program, due to certain unique factors in the location of history for cotton allotment acreage, the determination would largely be given to urban land owners (i.e. doctors, dentists, lawyers, bankers, druggists, real estate firms, etc.), and to suburban industrial workers in the upper piedmont plateau of the Great Smokies, lower reaches of the Blue Ridge Mountains, and the Ozark Mountains.

The separation of bona fide farmers from the agricultural asset of cotton production opportunities has been progressing for several generations. It has accelerated during the past quarter century. Public Law 86-172 authorized in August 1959 provided some measure of relief to this trend. It is a just and equitable law. It has revitalized cotton production efficiency. It has provided economic survival for thousands upon thousands of the "blue denim farm folks" who are often seen riding to crossroad churches in pick-up trucks in at least a fourth of this Nation. I take pride in representing these people to you today. I have repeatedly done so. I plead for them to you not to include cotton allotment acreage in title V of H.R. 7097. I earnestly urge that you leave the determination of cotton acreage allotment disposition in their hand.

Why is this so serious an issue? In answer I invite your attention to exhibit 3 of this testimony. It outlines, beltwide, the beneficial results of Public Law 86-172 in 1961-64. In the column headed "Total Acres Released" the figures tell the story. This represents cotton allotment acreage in a condition of dislocation. It is in the hands of non-farm people who quit farming years before 1961. It has, under procedures contained in Public Law 86-172 and wisely enacted by this distinguished committee in 1959, become available to bona fide family farm people in the main.

Enactment of a soil bank would destroy this beneficial movement. In recent years, in face of a \$17.50 per bale reduction in support price, it has meant the difference between solvency and bankruptcy in multi-

tudes of family cotton farming operations. You will have quickly noticed the volume of acreage released in those States for which I speak. I beg that you also notice the beneficial movement of it in Arkansas, Louisiana, Mississippi, Oklahoma, Tennessee, and Texas.

II. Liberalized incentive payments of a domestic allotment provision such as is in the Agricultural Act of 1964 would, in new cotton legislation, provide cotton with its own cotton acreage adjustment program.

But, it would be left to the determination of actual farmers in making the decision. That is where the determination should reside. It has to be noted by a repeat reference to exhibit 3 that this opinion is held by cotton growers practically beltwide.

The somewhat maudlin viewpoint is sometimes heard that soil bank money would "provide something" to those who do not want to use their cotton allotment. I find it hard to develop such sympathy for men who have quit farming to pursue other occupations, or who never farmed land they bought as an investment. At this point, however, I do want to point out that title VI of H.R. 7097 provides "something" for such people. Under its provision, if enacted, they could sell or lease their cotton allotment acreage.

How can this matter be adjusted? It is simple. I submit to you a proposed amendment of title V of H.R. 7097 (exhibit 4) which would except cotton from it.

This is a very short proposal. It has, at my request, been prepared by the Office of the General Counsel of the U.S. Department of Agriculture. The amending language is as follows:

On page 43, after line 24, insert the following:

(9) By changing the period at the end of paragraph (1) of subsection (a) to a comma, and adding the following: "but excluding cotton allotment acreage".

In further comment upon the alternative to a cotton allotment acreage soil bank which has been proposed by the American Cotton Producer Associates, namely: Liberalization of incentive payments in domestic allotment provision of the act of 1964—it is to be noted that the distinguished chairman of this committee, I mean the committee as a whole, Mr. Poage—has proposed such liberalization in a news release dated April 9, 1965.

In concluding this appeal for a cotton allotment acreage program left in control of actual farm people, and one which will strengthen farm families, I am sure it has been uttered, for the most part, to passionate and broad-gauged leaders in the American agricultural scene. To men who subscribe to the principle that actual farmers should be allowed to determine the adjustments which become necessary in production of their commodity.

I also believe that members of this committee understand, without my belaboring the details, why in the history of agriculture, and in the history of the cotton producing States of the South, there are unique situations related to cotton's agriculture which justify its exception in enactment of a cropland adjustment program if such a program is seriously considered by it.

Thank you, Mr. Chairman, for the opportunity to present the viewpoints contained in this testimony.

(The exhibits attached to Mr. Heidelberg's prepared statement follow:)

EXHIBIT 1

1963 UPLAND COTTON: BASIC ACREAGE TABULATIONS, RE SOUTHEASTERN UPLANDS COTTON ALLOTMENTS BY NUMBER AND BY ACREAGE SIZE

TABLE 1.—Number of original allotment farms (before release and reapportionment)

State	Total	Size of original allotment (acres) ¹									
		0.1 to 4.9	5.0 to 10.0	10.1 to 14.9	15.0 to 29.9	30.0 to 49.9	50.0 to 99.9	100.0 to 199.9	200.0 to 349.9	350.0 to 499.9	500.0 to 1 000
Alabama-----	100,383	44,890	32,273	9,661	8,787	2,627	1,456	520	132	26	9
Florida-----	6,344	3,811	1,672	8,407	9,357	65	27	5	---	---	---
Georgia-----	69,201	24,467	21,535	8,192	9,606	3,179	1,654	467	73	22	6
North Carolina-----	72,099	46,327	15,889	4,357	3,673	1,142	548	134	22	3	3
South Carolina-----	66,549	32,710	16,696	6,325	6,464	2,384	1,464	403	83	12	8
Virginia-----	5,087	4,184	644	143	83	24	7	2	---	---	---

TABLE 2.—Number of effective allotment farms (before planting, after reapportionment)

State	Total	Size of effective allotment (acres) ²									
		0.1 to 4.9	5.0 to 10.0	10.1 to 14.9	15.0 to 29.9	30.0 to 49.9	50.0 to 99.9	100.0 to 199.9	200.0 to 349.9	350.0 to 499.9	500.0 to 999.9
Alabama-----	77,699	27,768	24,898	9,335	9,961	3,105	1,772	634	162	41	21
Florida-----	5,241	3,068	1,288	3,345	3,384	98	41	13	4	---	---
Georgia-----	54,860	17,381	14,847	6,746	9,437	3,589	2,037	662	124	26	11
North Carolina-----	55,003	31,862	12,290	3,931	4,237	1,466	868	265	71	5	7
South Carolina-----	55,854	25,024	13,640	5,748	6,576	2,548	1,636	538	121	12	9
Virginia-----	4,511	3,516	698	150	108	21	16	2	---	---	---

See footnotes on next page.

TABLE 3.—Number of effective allotment farms: actually planted

State	Total	0.1 to 4.9	5.0 to 10.0	10.1 to 14.9	15.0 to 29.9	30.0 to 49.9	50.0 to 99.9	100.0 to 199.9	200.0 to 349.9	350.0 to 499.9	500.0 to 999.9	1,000 and over
Alabama.....	62,448	18,064	21,287	8,556	9,069	2,931	1,679	638	159	42	21	2
Florida.....	2,664	1,029	855	302	324	88	46	16	3	1	-----	-----
Georgia.....	34,624	6,015	9,786	5,329	7,757	3,066	1,882	636	116	25	12	-----
North Carolina.....	40,883	20,703	10,319	3,481	3,795	1,394	854	254	70	8	4	1
South Carolina.....	37,463	12,431	10,386	4,623	5,590	2,232	1,530	525	122	12	10	2
Virginia.....	3,126	2,300	573	133	86	18	14	2	-----	-----	-----	-----

¹ Original allotments refer to those established for all farms prior to the release and reapportionment programs.
² Effective allotments refer to those established for all farms after any adjustments in farm allotments resulting from the release and reapportionment program. These were the final allotments for compliance purposes.

NOTE.—Compiled in the central office of Uplands Cotton Growers, Inc., from basic tables supplied by ASCS: Policy and Program Appraisal Division, May 25, 1964.

EXHIBIT 2

COTTON PRODUCER RECOMMENDATIONS FOR FURTHER GAINS THROUGH THE
AGRICULTURAL ACT OF 1964¹

The Agricultural Act of 1964 was passed in April of 1964, and became fully effective on August 1. At the time of passage, the cotton industry was suffering from a rapid erosion of markets, largely due to inroads of man-made fibers and to the rising tide of foreign textile imports.

As originally conceived and presented, the Agricultural Act of 1964 was designed as a 4-year program. It was fully recognized that time would be required to reverse the market loss trend and to bring the carryover down to a manageable level. Instead of a 4-year program, however, the bill was amended to limit its life to 2 years. It has now been fully effective for only 8 months.

In spite of this short period of time, the Agricultural Act of 1964 has shown remarkable results. Under the stimulus of competitive prices in the domestic market through an in-kind-equalization payment made in the channels of trade, the loss of domestic markets has been checked and reversed. Estimates indicate that consumption of cotton by U.S. mills during the current marketing year will exceed that of last year by between 800,000 and 1 million bales. The program has restored confidence in the future of the cotton industry and has helped to meet competition of foreign textile imports. It has also made possible an increase in textile wages, reductions in prices for cotton yarns and gray goods, and an unprecedented expansion in investments for modernization and expansion programs by the U.S. textile industry. Further increases in domestic consumption are limited only by current mill capacity and the uncertainty of a continuation of the program.

On the other hand, export sales are far below the level they should be and must be to maintain a healthy cotton economy. It is imperative that immediate steps be taken to carry out and insure effective administration of the export sales program as provided for in section 209 of the Agricultural Act of 1956.

In keeping with our original objectives and the needs of the industry, we urge:

1. Continuation of the Agricultural Act of 1964 for at least 2 more years with modification of the domestic allotment section to achieve the objective of reducing cotton production on a voluntary basis. Liberalizing incentive payments of the domestic allotment section will provide cotton with its own cropland adjustment opportunities and it is estimated that plantings would be reduced by approximately 2 million acres. This can and must be accomplished without a reduction in the present 29-cent CCC loan level for reasons given in point 4.

¹ Adopted by American Cotton Producer Associates, Apr. 20, 1965, Memphis, Tenn.

In view of the above recommendation, cotton should not be included in the cropland adjustment section of the omnibus farm bill and we urge that it be eliminated.

2. Continued recognition that export markets are essential for U.S. cotton and that action be taken to regain a fair share of world markets as provided under section 203 of the Agricultural Act of 1956.

To achieve this—

(a) The Commodity Credit Corporation should be required to establish a specific export goal of not less than 7 million bales per year.

(b) Flexible features in sales programs to attain established goals should be initiated with safeguards against forcing a high proportion of current crop cotton into the loan and eventual takeover by CCC.

The results would be broadened markets, a substantial recovery of funds now tied up in cotton to increase dollar earnings abroad, insulation against further buildup of cotton production in foreign producing countries, and sizable reductions in carrying costs to the Government.

3. Maintain at least the 16-million-acre minimum national allotment.

Cotton acreage in this country has been reduced from around 28 million acres in 1953 to 16,200,000 acres in 1965. The U.S. cotton producer has been called upon repeatedly to make the supply adjustment for the entire world. At the same time, foreign production has been encouraged by various U.S. economic development and foreign aid programs. Further reductions in the U.S. national cotton allotment would be quickly reflected in an expansion of production abroad and would represent a wasted effort by U.S. cotton farmers. The 16-million acre national allotment represents the minimum acreage necessary for the achievement of efficiency on cotton farms in the United States.

4. We oppose any further reduction in the Commodity Credit Corporation loan level for cotton. Farmers have already sustained a \$17.35 per bale cut in price supports within the past 2 marketing years. Accumulative increases in costs of items that farmers must buy to make a crop and higher costs for labor caused by the termination of Public Law 78, together with the increasing competition for workers from rural industries make it impossible for farmers to absorb further price cuts at this time.

5. We strongly oppose the substitution of direct payments to cotton farmers as basic income supports in lieu of nonrecourse CCC loans, except that incentive payments to encourage participation in voluntary provisions of the domestic allotment choice program are workable and acceptable.

6. We urge full implementation of the cotton research section of the Agricultural Act of 1964 to reduce production costs and improve quality. We further urge the USDA to encourage farmers to utilize research findings to accomplish these purposes.

EXHIBIT 3
Upland cotton—Summary of released and reapportioned allotment acreage
1961 AND 1962

State	1961						1962					
	Released acreage			Reapportioned acreage			Released acreage			Reapportioned acreage		
	Number of farms	Total acres released	Acres surrendered to State committee	Number of farms	Total acres reapportioned	Acres apportioned by State committee ¹	Number of farms	Total acres released	Acres surrendered to State committee	Number of farms	Total acres reapportioned	Acres apportioned by State committee ¹
Alabama.....	26,627	152,223	32,075	33,792	150,841	32,043	29,759	183,784	46,873	28,877	181,967	46,823
Arizona.....	252	4,580	13	927	4,580	13	158	2,023	-----	564	2,023	-----
Arkansas.....	10,657	82,679	11,911	12,528	82,487	11,911	9,951	65,227	14,626	11,805	64,927	14,626
California.....	1,279	15,495	-----	3,549	15,479	-----	1,167	11,211	-----	3,598	11,151	-----
Florida.....	2,227	11,112	2,641	1,193	9,050	967	1,448	9,035	3,007	3,706	6,428	532
Georgia.....	20,567	140,857	38,556	17,623	137,513	38,407	19,845	153,724	51,813	15,270	150,512	51,774
Illinois.....	151	1,221	180	68	1,041	-----	127	770	-----	42	751	-----
Kansas.....	2	10	2	1	8	-----	1	8	-----	1	8	-----
Kentucky.....	266	699	56	298	690	56	200	522	20	228	489	20
Louisiana.....	15,233	84,059	31,902	12,332	83,539	31,902	13,404	85,460	34,618	10,023	85,168	34,618
Mississippi.....	32,279	173,058	62,922	31,181	171,758	62,820	32,172	175,551	82,692	27,144	174,132	82,391
Missouri.....	872	6,426	114	1,485	6,286	-----	690	2,469	189	1,182	2,464	189
Nevada.....	1	100	-----	10	100	-----	2	73	-----	10	73	-----
New Mexico.....	183	1,795	26	810	1,795	26	197	1,755	24	759	1,755	24
North Carolina.....	21,864	90,661	32,737	14,330	82,306	27,824	24,598	103,500	40,562	16,063	97,721	38,614
Oklahoma.....	8,555	74,013	11,978	9,678	72,771	11,846	7,885	75,710	14,270	8,176	74,281	13,960
South Carolina.....	12,515	85,148	25,518	15,209	82,389	25,437	13,945	100,034	33,193	13,538	96,431	33,090
Tennessee.....	5,777	21,218	1,356	11,053	21,050	1,354	7,052	23,687	3,334	12,442	23,366	3,273
Texas.....	35,600	557,431	164,456	44,466	543,246	160,494	43,319	692,053	275,442	52,868	679,367	273,820
Virginia.....	726	2,154	82	801	2,129	82	724	2,264	70	850	2,242	70
United States.....	195,633	1,504,939	416,525	211,334	1,469,058	405,182	206,644	1,688,860	600,733	204,146	1,655,256	593,824

¹ Allocation to counties of the allotments surrendered to State committee from other counties for reapportionment to farms.
ASCS: Policy and Program Appraisal Division, Oct. 9, 1961. Reprinted by North Carolina Cotton Promotion Association, Oct. 6, 1964.

Upland cotton—Summary of released and reapportioned allotment acreage—Continued

1963 AND 1964

State	1963						1964					
	Released acreage			Reapportioned acreage			Released acreage			Reapportioned acreage		
	Number of farms	Total acres released	Acres surrendered to State committee	Number of farms	Total acres reapportioned	Acres apportioned by State committee ¹	Number of farms	Total acres released	Acres surrendered to State committee	Number of farms	Total acres reapportioned	Acres apportioned by State committee ¹
Alabama	27,092	168,163	27,006	29,935	166,937	26,913	20,953	137,240	18,106	30,216	135,913	17,897
Arizona	151	2,389		564	2,389		62	1,256		421	1,256	
Arkansas	6,899	53,974	12,607	12,100	53,662	12,607	5,003	47,581	9,572	11,900	47,358	9,572
California	639	6,513		3,245	6,495		483	5,049	46	2,334	5,000	
Florida	1,094	7,316	1,369	876	7,267	1,369	833	5,418	742	888	5,378	742
Georgia	18,036	139,828	41,606	16,842	136,041	41,522	15,598	134,679	45,466	16,424	131,663	45,347
Illinois	130	648		42	634		83	540		42	540	
Kansas												
Kentucky	243	533	33	185	520	33	97	241		189	238	
Louisiana	8,137	61,134	23,266	11,039	60,864	23,266	5,593	49,470	20,709	11,048	49,308	20,702
Mississippi	17,927	119,052	39,904	27,667	117,873	39,842	13,976	93,016	26,996	26,068	92,342	28,755
Missouri	339	1,457	132	982	1,452	127	270	1,200	87	651	1,184	87
Nevada							2	32		11	32	
New Mexico	245	2,385	4	1,139	2,385	4	257	2,952		1,137	2,946	
North Carolina	22,981	104,130	41,761	10,963	99,594	41,018	22,540	106,758	37,228	13,765	104,185	37,188
Oklahoma	7,020	83,094	18,311	8,496	81,848	18,310	7,719	99,298	22,461	9,510	97,917	22,060
South Carolina	13,816	94,887	25,307	15,706	91,559	25,292	12,355	88,225	22,713	14,023	84,982	22,669
Tennessee	5,908	22,849	1,968	11,845	22,676	1,968	5,223	19,937	2,743	12,877	19,860	2,710
Texas	36,232	718,049	269,360	64,213	703,447	268,570	31,296	725,728	267,557	63,474	715,187	265,237
Virginia	640	2,051	108	651	2,048	108	582	1,826	98	802	1,821	98
United States	167,529	1,588,452	502,742	216,490	1,557,691	500,949	142,925	1,520,446	476,524	215,780	1,497,110	473,064

¹ Allocation to counties of the allotments surrendered to State committee from other counties for reapportionment to farms. ASCS/Policy and Program Appraisal Division, July 1964. Reprinted by North Carolina Cotton Promotion Association, October 1964.

EXHIBIT 4

PROPOSED AMENDMENT TO H.R. 7097

On page 43, after line 24, insert the following :

“(9) By changing the period at the end of paragraph (1) of subsection (a) to a comma, and adding the following : ‘but excluding cotton allotment acreage.’ ”

Mr. POAGE. Thank you, Mr. Heidelberg.

Any questions of Mr. Heidelberg?

If not, we are very much obliged to you, Mr. Heidelberg. We appreciate not only your statement but the data that you have attached there and the information you gave us.

We will now hear from Mr. Reuben Johnson, National Farmers Union. He has with him the president of the National Nebraska Farmers Union.

**STATEMENT OF REUBEN JOHNSON, NATIONAL FARMERS UNION;
ACCOMPANIED BY LESLIE E. CARSON, DENNIS, KANS.; WILLIAM
D. (BILL) DANIELS, CIMARRON, KANS.; BEN HILDEBRANDT,
MARYSVILLE, KANS.; ALVIN SANDOW, HOPE, KANS.**

Mr. JOHNSON. Mr. Elton Berck was unable to get reservations into Washington and cannot testify. I do have with me four Kansas farmers. I would like to introduce them and call on one of them to present a brief statement.

Mr. POAGE. We shall be glad to have you do so.

Mr. JOHNSON. Mr. William D. (Bill) Daniels, of Cimarron, Kans.; Mr. Leslie E. Carson, Dennis, Kans.; Mr. Ben Hildebrandt, of Marysville, Kans.; and Mr. Alvin Sandow, of Hope, Kans.

I would like to ask Bill Daniels to present the statement on behalf of the Kansas Farmers Union.

Mr. POAGE. Will you tell us, further, if Hope, Kans., was named for Hon Cliff Hope.

Mr. SANDOW. I do not think so. I think it was named before Mr. Hope's time.

Mr. DANIELS. Mr. Chairman and members of the subcommittee, I appreciate very much the opportunity to appear before the subcommittee to present the views of National Farmers Union on title V of H.R. 7097.

On a number of occasions we have expressed opposition to a massive “soil bank” or “cropland retirement” program such as would be authorized in title V. We have made known our views both to the administration and to the Congress. Such a program is neither in the interest of the farm sector of rural America nor the main street business sector of rural America. In this connection let me remind the subcommittee that bills introduced in Congress and referred to this committee which would establish a similar type program have been ignored and rightly so.

If we understand the program proposed by the administration it would involve up to 40 million acres of land retired over a 5-year period and to include whole farms. Very frankly, Mr. Chairman, we are shocked at the recommendation of the administration for such a massive “soil bank” program in light of the fact that Congress has repeatedly rejected bills calling for a program of a similar nature.

As I recall, the ranking minority Republican on the House Agriculture Committee in the last session of Congress, the Honorable Charles B. Hoeven of Iowa, declined to even introduce a "soil bank" bill. Several years ago our Secretary of Agriculture made a statement that a massive soil bank program would be much more expensive than going the route of a price support program with selected cuts in acreage by commodities through the acreage diversion program. Further, title V of the bill is shocking for the reason that it is not consistent at all with other programs to which leadership has been given by both Presidents Kennedy and Johnson that are designed to recapitalize rural America and eliminate rural poverty. We consider the proposed cropland adjustment program to be completely contrary, moreover, to the Great Society concept of building rural America as expressed by President Johnson and Vice President Humphrey.

Our concept of the overall program of the Department of Agriculture is to revitalize and to recapitalize rural America, not to denude and depopulate rural America as would happen under a massive land retirement program to include whole farms. The depressed rural economy that would result from taking whole farms out of production might depress the entire economy. This, too, runs counter to the declared aim of President Johnson to expand our national economy and to move forward and provide jobs and greater economic opportunity for our citizens.

It should be pointed out that National Farmers Union does not oppose all land retirement programs. We are very much in agreement with, and recognize the urgent need for, legislation authorizing a long-term cropland conversion program to channel cropland into advantageous noncrop uses, but still fully utilize the income potential of the land.

A cropland conversion program would be an effective means of dealing with agriculture's built-in problem of overproduction of certain crops. This problem must be met without taking whole farms out of production, without cutting farming units to uneconomic size, without depriving rural towns and cities of the trade on which they depend, without causing people to shift needlessly from rural to urban locations.

We are opposed to cropland retirement. We strongly favor cropland conversion—the conversion of land-use from production of unneeded products to the production of goods and services that are needed. We believe in the use, improvement and development of farm land and water resources to build economic opportunities in rural America, already embodied in the Agricultural Conservation Program, Soil Conservation Service, Forestry Service, Great Plains Conservation, watershed projects, multi-use dams and river basin development. Family farmers applaud the members of the House Agriculture Committee for their support of these programs.

We urge the Subcommittee on Conservation and Credit as well as all members of the House Agriculture Committee to reject the concept of denuding rural America and to vigorously oppose retirement of whole farms. We want to increase the population of rural America instead of greatly accelerating the depopulation of rural America that would happen if 40 million acres were idle.

It is obvious that the cost of such a program (projected as \$2.5 billion over a 5-year period) expended in other ways, could make rural America a more viable and integral part of the whole economy in contrast to slackening economic activity and further exodus of farm people to cities to compete for jobs that are not there.

We should be more concerned that the supply of credit is adequate and that we are adequately financing commodity and other programs of the Department of Agriculture and other agencies which can help to stimulate rural economic growth, providing jobs and opportunities for rural citizens which enable them to remain as a part of the rural community.

I want to assure the subcommittee of our continued interest in the programs of the Department of Agriculture which will increase farm income and the opportunity for more farmers and nonfarm jobs. We must build rural America in ways that will reverse the negative and backward trends of depopulation.

We urge you to give consideration to the rural mandate for the course that has already been charted by the Congress. In the programs that have been put into effect as a result of bills passed by the 87th and 88th Congresses, we have made progress toward the goal of a prosperous rural America. It is clear that the rural representatives of the 89th Congress are looked to for leadership by their constituents who want greater strides forward toward a viable, healthy rural economy with greater economic opportunity for farm and rural small town citizens alike.

I would like to add, Mr. Chairman, how this might affect the area where I live, in Finney County, Kans.

A great deal of the land there is owned by absentee landowners who live in Ohio and Illinois and other parts of Kansas. I am afraid that if whole farms were allowed to be put in this cropland adjustment thing, some of the land that I rent and my neighbors rent would be taken away from us and reduce our unit that we farm. In other words, we would have no use for part of our machinery. In some cases, it would put some farmers clear out of business. I would like some of my people to comment on how it would affect their areas.

Mr. SANDOW. Mr. Chairman, members of the committee, I know full well if we are going to reduce production, we are going to have to retire land, but we are in my area very definitely opposed to retiring the entire economic unit, such as we do when we retire the whole farm. We do not have in my particular area quite as an acute problem as Bill has in his area concerning absentee landowners. I would just like to tell you a little of what happened in the soil bank program.

I served on the county ASC program for quite a number of years. In every case where we would take a complete unit into the soil bank program, the guy never intended to make any permanent adjustment on that farm. But on those units where we took a part of the farm, in most all cases, he sowed permanent grass, he made the adjustment to a different type of agriculture. He needed grass for his unit in most cases. When that land came out of the soil bank contract, that land was not broken in most cases and put back into the production of wheat, milo, and corn. It was producing grass. But I cannot think of one case where we took out an entire farm where the guy ever sowed grass. He used clover and legume crops and as soon as the contract

came out of the soil bank, it was broken up and put right back in production.

Thank you.

Mr. POAGE. Thank you, very much.

Mr. CARSON. Mr. Chairman and other committee members, I am Les Carson. I live in Dennis, Kans. I am a farmer. This is in the southeast corner of Kansas, which is a diversified farming area. We have livestock production there and raise almost all kinds of crops other than cotton and tobacco and those specialty crops.

In our area, the experience with the soil bank program when it was in effect before was disastrous to the small towns in the area because when whole farms went out in the soil bank, the amount of business that was done in these small towns was reduced to the extent that many of the small businesses failed or found it unprofitable to stay in business, and therefore, left the area.

Now, most of these people that retired full farms, the man that owned the land, if he was retiring and farming it, that is retiring the land, he probably moved to Arizona or some place else. A lot of the land was purchased at the beginning of the soil bank program by lawyers, doctors, real estate men, and so forth, and put in the soil bank, thereby displacing some farmers. I am afraid that if we have a full farm participation again, we will have the same effect, where we will have outside interests by a farm being thrown into a soil bank or some kind of government program, thereby displacing the rural people and hurting the rural towns as well as the farmers in the community.

I believe that is all I have to say.

Mr. POAGE. Thank you, Mr. Carson.

Mr. HILDEBRANDT. Mr. Chairman, members of this committee, I fully agree with these gentlemen here about this soil bank. I have been farming a long time. I farmed during the 30's when wheat was 30 cents a bushel, corn, 10 cents, and we needed farm programs so we got them. We got so we could live with them. But along about 10 years ago, as you all know, we got something that was called the soil bank. It looked perhaps good to some people; it might have been good. But we found out that in our area, we do not have too many—we did not have too many farms in the soil bank, but always, without exception, the tenant was disposed, the lease was cancelled, the owner would put the farm in the soil bank and take the whole payment. I only know of one farm where the owner and the tenant divided the proceeds that they got from the soil bank from the Government. Outside of that, we have lost a tenant. If he was lucky enough to get a farm, he stayed; if not, he hold out, moved to Wichita or one of the big cities.

Right now, our population in my county is less than it was 10 years ago. Our children are leaving. Whenever we lose a family, we lose business. I talked to our implement dealers, I talked to our businessmen in town and they all agree that if we depopulate our area, the towns are going to suffer and we are not serving any good purpose. So we are opposed to placing whole farms in the soil bank. We need a conservation program, a cropland conservation program. We need it in a reasonable way and I think the farmers are quite happy with what they have now to some extent, because our signup has been quite

heavy. But to place whole farms into the soil bank or into conservation reserve, I could not go along with that, because I am afraid we shall have the same thing again that we had 10 years ago.

Mr. POAGE. Thank you, Mr. Hildebrandt.

Could we direct some questions to the entire panel, or did you want to say something, Mr. Johnson?

Mr. JOHNSON. Mr. Chairman, at some point, and maybe this is as good a time as any, I would like to refer to the hearings the House Agriculture Committee held on March 13, 14, 15, and 16 in 1962, at which time there was a very detailed discussion of a cropland retirement program. At that time, Farmers Union presented as testimony, a rather comprehensive statement of our position. That is found on page 119 of this record of hearings, Series EE. At that time also, Mr. Chairman, when the soil bank was kind of fresh in our minds, I put into the record a couple of inserts, one from the New York Times—I am sorry, the Wall Street Journal, of June 30, 1959, entitled "Soil Bank Blues," and another article from the Fargo Farmers Forum entitled "The Lisbon Story." That came out of the issue of February 17, 1961.

Mr. Chairman, these are old articles, but I think they are still very pertinent to the question before the subcommittee. Therefore, I would like to request that they be inserted in the record of hearings following our statement and questions.

Mr. POAGE. Without objection, they will be inserted.

(The information referred to follows:)

[From the Wall Street Journal, June 30, 1959]

SOIL BANK BLUES—INACTIVE FARMS CREATE UNWELCOME SIDE EFFECT—A SLUMP IN BUSINESS—HOW MINNESOTA AREA SUFFERS: IDLE FARMERS PUT PRESSURE ON WAGES; STORE SALES FALL—BUT CROP OUTPUT STILL RISES

(By Richard F. Janssen, staff reporter of the Wall Street Journal)

THIEF RIVER FALLS, MINN.—Farmers on the windswept plains of northwestern Minnesota are making a run on the bank—the soil bank.

Here in Pennington County, they have taken some 30 percent of the tillable land out of production by renting it to Uncle Sam for periods of up to 10 years at prices near the current Federal ceiling of \$12.40 an acre annually. So much land hereabouts has been deposited in the soil bank that important segments of the local economy are in a sever depression at a time when most of the rest of the Nation, urban and rural alike, is enjoying a boom.

It's possibly to be expected that sales of tractors, gasoline, and other products not needed by farmers who aren't farming are declining. But as the pinch of less circulating money tightens, grocers, haberdashers, and lumber dealers, as well, are suffering. Wage rates are dropping, pressured by idle farmers willing to work for extraordinary low pay, and an increasing number of farmers are drawing unemployment compensation. Many workers, from both farms and city, are moving to other areas to seek better jobs, aggravating Thief River Falls' business problems.

For all of these negative side effects, however, the soil bank is failing to do the one job for which it was designed—to cut back crop production in order to reduce surpluses. In fact, farm output in this area continues to mount as farmers concentrate production on their best land in an effort to get the highest yields possible.

IMPACT LESS SEVERE NATIONALLY

The impact of the soil bank is being felt in many areas, though it is more severe hereabouts. Nationally, only 5 percent of the cropland has been deposited in the soil bank; the impact could be heightened elsewhere, however, if poor crops should drive more farmers to the security of Federal payments.

Just yesterday, Senate-House conferees agreed to provide advance authorization of \$375 million—the amount asked by the administration—for the 1960 crop year, which coincides with the calendar year. There are now 23 million acres in the soil bank, for which the Government is paying farmers at the rate of \$360 million a year, so the conferees' action would provide funds to idle additional land.

The administration is pressing Congress to boost spending to \$500 million a year so that it can idle 35 million acres by 1963. But criticism in Congress of the program is mounting and Congress conceivably could allow the program to expire at the end of 1960. In any event, the effects will be felt up to 1969, the last year in which land now in the program will remain covered, under the existing legislation.

Hardest hit in this progressive, modern town of 8,100 persons are the farm implement dealers. Ironically, their troubles come at a time when national farm equipment sales so far this year are an estimated 30 percent ahead of the comparable period in 1958.

FARM IMPLEMENT SALES OFF

In his spacious brick Main Street store, auto and implement dealer A. F. Holz knecht reports resignedly: "I haven't ordered any new farm machinery for 2 years." A Minneapolis-Moline dealer until he declined to sign a contract last October, Mr. Holz knecht recalls: "I used to have five or six men just setting up new implements. On June 1, I let the last one go, and he had been here for 15 years."

Looking through his ledger books, he says: "In 1955, before the soil bank took effect, I sold \$120,445 of new and used farm equipment and parts. Last year, sales were \$40,000, mostly in parts, and this year it looks as if we won't do over \$30,000."

Right next door, cigar-smoking C. D. "Dave" Gustafson shares his competitor's woes. "The soil bank is the worst thing that's ever happened to our business and I've been selling farm machinery here since 1911," he declares. Dejectedly, he said, he recently canceled his International Harvester Co. dealership and now sells only a line of small implements made by inmates of Minnesota State prisons.

"A few years ago, our implement volume was running over \$250,000 a year, and last year it was down to \$89,000," he says. Since the soil bank has taken its toll of his business, his crew of mechanics and other employees has dwindled from 32 to the present 7.

Sales of used farm equipment are suffering, too, although in other parts of the Nation second-hand machinery is selling swiftly and often at prices higher than a year ago.

USED EQUIPMENT RUSTS

In nearby Goodridge, weathered, rusting implements crowd a large open lot. Carl Elg, owner of the Carl Elg Garage & Implement Co., reports that "some of that equipment's been sitting there for several years."

Many farmers seek to turn their machinery into ready cash after they've put their land in the soil bank. So they hold auctions at which the used items go to the highest bidder. "The farmers sell at prices so low we can't match them and still make a profit," Mr. Elg companies.

With less equipment running, farmers have cut down drastically on the gasoline, tires and other supplies they usually need. Husky Hartley Peterson, who delivers gasoline in bulk to farmers around Holt, a community in neighboring Marshall County, says his volume so far in 1959 is off about 20 percent from a year ago. One reason: "My largest customer was good for 10,000 gallons a year, but he put his whole farm in the soil bank."

Contrasting with this business gloom is the enthusiasm of many farmers for the soil bank. Beset for several years by heavy rains that washed out crops on the level, poorly drained fields hereabouts, farmers were quick to respond when the Government offered to pay them if they would contract not to farm their land.

Now, of 1,420 farms here in Pennington County, 345 entire farms and parts of 305 others are in the soil bank. The typical farm here has about 230 tillable acres and those in the soil bank receive an average of some \$2,000 annually. Out of this must come property taxes (assuming there is no mortgage to be paid off in addition), leaving scarcely enough for a family to live on. However, since many farmers here have lost money in recent years because of poor crops, they figure a modest regular payment from the soil bank is better than gambling on the vagaries of uncertain crops.

WHEAT CROP BIGGER THAN EVER

During 1959, Pennington farmers will receive some \$986,000 from the soil bank. But this doesn't mean the basic goals of the program are being attained.

"To be honest, I think our 1959 wheat crop will be bigger than last year's record harvest," says Patrick Culkins of the Agricultural Stabilization and Conservation Committee, the Department of Agriculture branch administering the program. Cutting wheat output is a prime aim of the soil bank, but less than 8 percent of Pennington's wheatland was taken out of action last year. Most farmers idled land on which previously they had grown oats, barley, and flax, which have far less burdensome surpluses.

What has happened, Mr. Culkins says, is that many farmers put parts of their tillable acreage in the soil bank but held out their best land and planted it in wheat. They also cultivated the remaining land more intensively boosting their average yield per acre to 45 bushels in 1958 from 30 bushels in 1957. With more wheat grown than can be absorbed by private markets, much of it ends up being sold to Uncle Sam, or technically, being put under Government loan. In Pennington County in 1958, farmers turned over to the Government more than 91,000 bushels of wheat, or almost 22 percent of the total crop. They received from the Government an average of \$1.89 a bushel.

Over a midafternoon snack of thick slices of home-slaughtered roast beef and pork on home-baked bread, farmer Melvin Joppru admits: "I'm no better than the rest of them. Before I put any land in the soil bank, I spent \$800 a year on fertilizer. Now about one-fourth of my land is in the soil bank, and I'm spending \$1,200 on fertilizer."

Some farmers who have their land in the soil bank are also taking another approach to increase production. Drive along almost any highway near here. On one side of the road is likely to be land covered with tall, dead, brown grass—the sign of the soil bank. Right across the road, in some places, tractors snort and strain to push down trees and brush as farmers clear new land for crops.

A number of Thief River Falls businesses are suffering because some farmers and other workers have moved away—permanently, or temporarily—to seek jobs in other areas. In some cases, farmers leave behind land they own and on which they continue to draw soil bank payments.

STORE'S VOLUME AFFECTED

"Our volume has been affected without any question," says Sidney Lieberman proprietor of a men's clothing store bearing his name. "Many farmers and their families moved away to take construction and mining jobs," he says. "If the trend continues a few years, I think you'll find considerably fewer retail establishments here."

"Farmers don't have to fix up barns so they're not using lumber," says Donald Johnson, worker in the Robertson Lumber Co. yard. "Our business is down at least 50 percent in the last few years," he says, and employment has dropped to two men from the previous seven.

Many farmers, with \$1,000 to \$2,000 annual income from the soil bank, would like to supplement it, and offer to work for lower than prevailing wages. One service station manager tells of a young man who went to a local lumber yard and offered to work for exactly half as much as other employees were receiving.

"A heck of a lot of farmers are taking jobs for less money, so town workers are buying less," complains Harold Stroble, manager of the local Sears, Roebuck & Co. catalog store. The wage-depressing effect of the idle farmers is a touchy subject around town; nearly all businessmen complain about the farmers taking jobs away from townspeople, but none will admit having hired any at cut-rate wages.

Some other farmers have ended up subsisting on two types of Government pay—soil bank checks and jobless benefits. In the five-county area covered by his office, about 400 persons are getting unemployment compensation, says R. S. Eldevik, office manager of the State department of employment security. "Perhaps half of them put their lands in the soil bank and then lost their other jobs," he says.

The effect on farmers' personalities is bothering some people, too. About 30 miles northeast in Grygla, the Reverend James Larson, youthful minister of the simple frame Grygla Gospel Tabernacle, says: "When a man loses interest in the soil, he loses a lot more. The thought that the Government owes them a living and is doing a lot of damage to individuals as well as to the country."

The soil bank also effects the Reverend Mr. Larson in a more material way. "I work part-time as a carpenter," he says, "and last fall I worked next to soil bank man. He could afford to accept only \$1 an hour, so that's all I could get, too."

Depending on farm trade for its existence, Grygla is clearly blighted by the soil bank. Walk along the gravel main street, where an occasional auto stirs up the dust. A few business places are open, but dominating the street are weathering frame store buildings with padlocked doors and darkened windows. The doorways of some stores and homes alike are nailed shut with raw boards.

For an idea of the soil bank's toll on Grygla's business, check at the substantial-looking brick supermarket and hardware store owned by some 400 members of the Grygla Cooperative Co. "Population is down about 30 percent since the soil bank started," reports Emil Boyum, manager. As a result, he says, the town now has one implement dealer instead of the previous three; one garage, down from three; one cafe, down from two; one hardware store, down from two; two service stations, down from three, and no variety store.

CO-OP'S VALUE DROPS

The town still has two grocery outlets, including the co-op. But the co-op volume last year was \$131,000, a drop from \$163,000 just 5 years ago. "So far this year, we're running a trifle under 1958," Mr. Boyum reports. When the store opened in 1951, it boasted eight employees; now there are four.

The nearby towns of Holt and Goodridge appear, if anything, to be in worse straits. Again, residents place the blame on the soil bank. Some believe their towns were going downhill anyway, with better roads making it easier for farmers and residents to shop in larger centers. But the soil bank may speed the decline, they believe.

One reason is that the soil bank is slowing the flow of farm products which provide a living for townspeople who process them. As he tests milk for butterfat content in the trackside creamery at Holt, Clarence Ness, the manager, reports: "Our milk supply is down about one-third from what it was 2 years ago—quite a few farmers just quit farming and sold their cows, too."

Output of beef has been sharply curtailed. Pasture goes into the soil bank along with cropland, although at a lower rate of payment, and regulations ban grazing of cattle on any banked land.

MANY BARNS ARE EMPTY

"I believe 40 percent of the county's barns are empty," says Joe Soiney, of the Soiney Livestock Co. in Thief River Falls. "It's kind of a crazy deal," he believes. As farmers rushed their land into the soil bank a year ago, they were rapidly disposing of their beef and dairy herds alike. "We were handling about 100 to 150 head a week," says Mr. Soiney. Now, only a few cows moan mournfully in the pens.

[From the Fargo (N. Dak.) Farmers Forum, Feb. 17, 1961].

THE LISBON STORY—SURVEY SUMMARIZES IMPACT OF SOIL BANK ON TYPICAL COMMUNITY IN NORTH DAKOTA

[EDITOR'S NOTE.—A preliminary report on the impact of the soil bank on a community's economy—Lisbon, N. Dak.—was made this week by Dr. Fred R. Taylor, chairman of the NDSU agricultural economics department at NDSU. Because the survey is the first of its kind made in North Dakota, the Farmers Forum is publishing it.]

(By Dr. Fred R. Taylor, chairman, NDSU Agricultural Economics Department)

This study might be called the "Lisbon Story" as it attempted to obtain information from a sample of 74 farms within a radius of 8 miles of Lisbon, N. Dak., which had all eligible acres in the soil bank.

The actual survey was taken the last week in December 1960 by a team of eight men, seven of whom were members of the research and extension staff of the department of agricultural economics at NDSU, and Clark Jenkins, agricultural agent of the Greater North Dakota Association—

To determine the effects on level and stability of farm income from placing whole farms in the soil bank.

To evaluate economic and social impacts of land retirement with respect to farmers directly concerned and the Lisbon community.

Lisbon, the county seat of Ransom County, is centrally located in the county. During 1960 there were 371 soil bank contracts with a total of 10,157 acres or 18 percent of the cropland in Ransom County. There were 226 whole farms placed in the soil bank with total annual payments of \$769,669.

The sample upon which this report is based included a total of 59 of 74 whole farms in the soil bank in the area. These 59 farms constituted 16 percent of the total soil bank farms or 26 percent of the whole farms in Ransom County in the soil bank.

The average age of the owners of these whole farms was 52 years, a little lower than we had anticipated. Forty-two percent were under 50 years of age, 24 percent were between 50 and 59 years of age, and 34 percent were over 60 years of age.

Twenty percent owned or operated other farm units and approximately 9 percent had other farm units in the soil bank. Twenty-two percent reported that they had retired from farming.

Forty-nine percent still lived on the soil bank farm as compared to 59 percent who lived on these farms before they were placed in the soil bank. Fourteen percent lived on another farm. Thirty-one percent lived in Lisbon as compared to 24 percent before the soil bank. Approximately 3 percent lived in another North Dakota town other than Lisbon, and 3 percent lived outside of North Dakota.

The average number of years these farms were owned was 14.6 years, with a range of from 0 to 50 years. One purchased the farm and immediately placed it in the soil bank. The model length of soil bank contracts was 10 years. Eighty-five percent of the farms were operated by owners, 12 percent by tenants, and 3 percent by the father of the owners or by a previous owner.

Only two of the owners of the seven farms which were operated by tenants reported that the tenant wanted to continue operating the farm. Eighty-six percent of the tenants owned or operated other land. Only one tenant was reported as having had to quit farming because the farm was placed in the soil bank.

The number of reasons given for placing the farm in the soil bank were:

More stable income, 31 percent; health, 17 percent; retirement, 10 percent; higher income, 10 percent; relief from farm responsibilities, 7 percent; improve production, 5 percent; needed new machinery, 5 percent; supplement farm income off farm, 3 percent; leisure time, 3 percent; farm too small, 3 percent; and miscellaneous others, 6 percent.

The average size of soil bank farms in the survey was 328 acres, with a range of 137 to 707 acres.

The average cropland on soil bank acres was 245 acres, with a range of 49 to 580 acres. The total acres in these farms was 19,382, with 14,543 in the soil bank. There might be some question as to whether many of these farms were actually economic units in terms of the area located.

Sample farmers stated they would have to purchase \$178,300 worth of machinery if they were to continue farming for 5 years. This amounted to an average of \$3,022 per farm. Fifty-six percent of this investment would be needed to replace wornout machinery of the same size, 32 percent to replace wornout machines with larger sizes, and 12 percent to add different new machinery.

They reported selling \$67,025 worth of machinery because of the soil bank. Fifty-seven percent of this was sold to neighbors, 23 percent to machine dealers, 17 percent outside of the Lisbon area, and 3 percent elsewhere.

Present occupation of the owners of these soil bank farms is as follows:

Farming, 29 percent; retired, 22 percent; working in Lisbon, 20 percent; working in other towns, 3 percent; in business in Lisbon, 14 percent; teaching, 4 percent; housewives, 3 percent; and others, 5 percent.

It seems fairly obvious that some of these individuals replaced people who were previously employed in the Lisbon area.

Four owners, or 5 percent, of 74 whole farm contracts, live outside of the State. Eleven owners, or 15 percent, of the 74 live outside of the Lisbon trade area.

Thirteen owners, or 22 percent, of the 59 sample farmers retired from farming. Seventeen owners, or 29 percent, are still farming. Twelve owners, or 20 percent, work in Lisbon. Eight owners, or 14 percent, run businesses in Lisbon. Nine

owners, or 15 percent, either teach school, go to school, are housewives, do custom work, or work in other towns.

The soil bank payment is the only source of income for 21 farmers of the 59, or 36 percent.

There were 14,543 acres in the soil bank on these 59 farms, an average of 246 acres, with total soil bank payments of \$170,225. Total reported income from nondiverted acres was \$763. Total income from off-farm employment was \$37,337. Total income was \$208,325, less inputs of \$2.90 per nondiverted acre, totaling \$13,089, giving these farmers a net income of \$195,236 after placing their farms in the soil bank.

Income before placing the land in the soil bank was \$188,186, coming from \$19.38 per acre of the total 14,543 acres, yielding \$281,843, less variable inputs at \$5.67 per acre totaling \$82,459 less depreciable allowances of 77 cents per acre for machinery totaling \$11,198.

Therefore, net income to operators was essentially unchanged. The net effect of the soil bank program on farmers' net income was stability of income.

The annual sale value of agricultural products sold was \$169,782. With average marketing margins for these products, it is estimated that some \$8,857 was lost to Lisbon businesses that they would have received. This amounted to \$61 per 100 acres of soil bank land.

It was estimated that the production of these 59 farms, at average margins, created a loss of purchased production inputs of \$8,647. This amounted to \$59 per 100 acres.

The loss of marketing margins and the margins on purchased supplies used in production would amount to \$120 per 100 acres. For the 59 farms in the Lisbon area that would have amounted to some \$17,500 or the equivalent loss of 4 to 5 men in full employment. Other areas where additional losses might have occurred were transportation, processing, etc.

Sample farmers reported that they would need a total of \$178,300 in machinery if they were to continue farming for 5 years. This was an average of \$3,022 per farm.

In addition, sample farmers reported selling \$67,025 worth of machinery, most of which was sold to neighbors. This amounted to an average of \$1,136 per farm.

The total value of machinery not purchased or machinery sold because these 59 farms were placed in the soil bank amounted to some \$245,000. At average margins this may have amounted to a loss in revenue of some \$50,000. This might amount to an equivalent loss of 14 men in full employment in the Lisbon area.

There was an average decrease of \$23.78 per farm in personal property taxes for the 59 sample farms. If we assumed that all 74 farms had this same average, it would mean a total loss of some \$1,760 in tax revenue.

Indications are that the owners of soil bank farms have paid their farm loans and debts and are no longer credit customers of the banks and other credit agencies. This means a loss in revenue to these agencies and affects the entire business community.

These factors concerning loss of community income from changes in production inputs and outputs, machinery investment, taxes, and credit, are only first round effects. Second and third round effects of income loss are experienced through—

Loss in revenue from less goods (input and output) being transported.

Loss in revenue to wholesalers because of less feed, equipment, machinery, and processed goods.

Loss of revenue in sales tax on production inputs that would have been purchased.

The net income to the operators of these 59 sample farms was essentially the same after the soil bank as before. Most were pleased and satisfied with the soil bank.

The present occupations and residences of the owners of these farms indicate that a large proportion of this money is spent in the Lisbon area.

Most of this soil bank income is being spent on consumer durables and non-durables at the expense of farm production supplies, equipment, and machinery.

Mr. POAGE. Did you want to make any further statement?

I wonder if you might not spend just a moment on clarifying this point, because I think there are two or three things that are possibly getting a little confused here. Certainly, I want you gentlemen to

know that I agree with you as far as I am concerned about the advisability of putting whole farms in the soil bank. I think that basically, it is a mistake. I think it is much better to take a part of the land from a number of farms than it is to take one whole farm out and let people move away, because that is exactly what happens. The proposal now before the Congress does not confine this to either whole farms or parts of farms, but allows both. The people in the Department of Agriculture said they would emphasize taking parts of farms rather than whole farms.

But I think that we have two questions here. Would you gentlemen favor a land retirement program from specific production of specific crops, in other words, taking out a specific number of acres that were allotted to the production of wheat or allotted to the production of cotton or that were available through history for production of feed grains?

Would you favor a land retirement program that retired specific production?

Mr. DANIELS. Yes, sir; I believe we would.

Mr. POAGE. Of specific crops?

Mr. DANIELS. Yes, sir.

Mr. POAGE. I believe that is something that has not been clearly understood in the bill that is before the Congress, because it does propose that the land shall be designated, not that the owner of the land shall go out there and take his least productive acres, which is always the case in the soil bank, but that he shall designate the acres he wants to put into this program and that he shall put all of his production of at least one controlled crop—that is, all of his feed grains, all of his wheat, all of his cotton, all of his peanuts, or all of one controlled crop before he can go into the program. That is, he cannot put a part of his wheat in and still remain a wheat farmer. He has to get out of the production of one particular kind of crop. That is provided in the bill that is before us.

Yes?

Mr. JOHNSON. Mr. Chairman, let me make it very clear that we in the Farmers Union have supported retirement of land where it was made on a selective basis and where we felt that conversion of land was to uses that would continue to provide the farmer with some profit. However, we are opposed to just the simple idling of land and without reflecting upon Mr. Freeman as Secretary of Agriculture, I would like to make it very emphatic that we would oppose a provision to put whole farms into this kind of a program. That is the flat opposition that we have. We do not know what subsequent Secretaries of Agriculture might do.

We are aware that the Secretary has indicated that he would take safeguards to see, for example, in a certain area, that you did not take out more than a certain percentage of the land. As long as you are doing that on a selective basis, with emphasis on utilization of land to a different use than growing crops, we do not have any real problem. But we do feel very strongly about this whole farm retirement.

Mr. POAGE. I wanted to ask you gentlemen, would you support a program that simply increased the period for which you might retire land from your feed grain or from your wheat base without setting up any new program at all, but instead of giving you 1-year contracts,

give you, say a 5-year contract for the retirement of feed grains or of wheat?

Mr. SANDOW. I am speaking personally.

Mr. POAGE. Yes.

Mr. SANDOW. I would like to see along with that some provision made for actually adjusting that land to some other use, rather than just——

Mr. POAGE. No, I am merely talking about retirement. I am talking about land retirement. I want to get to that adjustment in a minute, but this is not land adjustment. This is land retirement we are talking about. A program that would require you to lay it out, you will not use it for any productive purpose, including grazing. I am asking you would you favor extending the rule so you could take say, 5-year contracts instead of 1-year contracts?

Mr. SANDOW. I would not oppose it. I would prefer to go a little farther with it.

Mr. POAGE. Let me find, then, would your group feel that instead of a land retirement program, you might support a land conversion program? Now, if I understand it, what Mr. Poirot, and you heard him, what he is talking about there, and we do not need to say whether we agree with his details—he went into such detail that everybody could find something to disagree with. What I am talking about is a program under which you use the land in some honest-to-goodness soil fertility-increasing method, a method that would increase the fertility. It costs money to do that. Therefore, oftentimes, it is opposed. Many people say they would support a land retirement program because a land retirement program does not cost as much money as a land improvement program costs. Would you support a land improvement program?

Mr. JOHNSON. Mr. Chairman, I question whether or not a land retirement program necessarily would cost more than a land conversion program, because I think Mr. Sandow made an excellent point——

Mr. POAGE. No, I said the conversion program which would cost more than the retirement program.

Mr. JOHNSON. I am not sure that over the long pull it would cost more.

Mr. POAGE. I am not sure that it is not more desirable. You can say that it does not cost any more to buy a good automobile than it does to buy a pile of junk, but the investment price is less. That is what I am talking about. I will contract with you to retire land for a good deal less than I will contract with you to plant it in clover and harvest it and plow it and kill the insects.

Mr. JOHNSON. I am aware of that.

Mr. POAGE. That is what I am talking about when I said that it costs less. Sure, the conservation program may be a better investment, and I have seen some land that cost \$500 per acre that is a better investment than land that cost \$50. But it did not take as much capital to buy the cheap land and it does not take as much capital to retire this land as it does to adjust and improve it.

Mr. JOHNSON. Your point is well made but we strongly emphasize that we try to work out some way to convert land to another use where it is not being used in uses that meet it.

Now, we refer in our testimony here to the ACP program. We already have a means here of putting into effect conservation measures on agricultural land and we would like to continue to do more of what we have been doing.

Now, the crux of this whole matter, Mr. Chairman, and you just put your finger on it is how much can we get for this?

Mr. POAGE. How much are you going to pay?

Mr. JOHNSON. One of the things we run into, and it is inherent in every hearing we have had in this series is how much money will the people in the Budget Bureau allow farmers to have for their programs. We are getting a little sick of having to come up under a ceiling every time we come up here to talk about a farm program. We should not have to operate this way. Agriculture is too important a sector in the economic sense, if in no other sense, of this economy than for us to have to operate under some kind of a ceiling here which continues to dictate the direction you go without regard to what is a good investment.

Mr. POAGE. I agree with you that this question of how much it costs is your basic question.

I did want to get it straight. Would you gentlemen feel that it is desirable to adopt a program of land conversion as distinguished from land retirement? Now, in the old soil bank, the acreage reserve did not attempt to do any conversion and the conservation reserve at least by name attempted to convert into another use.

Now, I think that we fell far short of achieving the advertised objectives, but there was a recognition that there are two different approaches.

Mr. JOHNSON. At that particular time, you will recall, I am sure, Mr. Poage, that we supported the conservation—what do we call it?

Mr. POAGE. Conservation reserve. You at least allegedly put grass or trees or something on it. Actually, in our country, you put gophers and rabbits and Johnson grass.

I never did understand whether they wanted to accept this or not.

Mr. JOHNSON. The answer to your second question is yes. The first question, I think, we would answer in the negative.

Mr. POAGE. Mr. Dole?

Mr. DOLE. First I want to thank the gentleman from Kansas, Mr. Carson, Mr. Daniels, Mr. Hildebrandt, and Mr. Sandow, for appearing here today.

Second, title V does contain a provision now which Mr. Johnson referred to indirectly:

The total acreage placed under contract in any county shall be limited to a percentage of the total eligible acreage in such county which the Secretary determines would not adversely affect the economy of the county.

Now, I will ask a question of Mr. Daniels.

Do you think this language is firm enough to protect the economy of some of our areas in Kansas or anywhere in the Midwest?

Mr. DANIELS. We are afraid that it is not. Perhaps Secretary Freeman would protect us. Secretaries change, and we feel that the language is not sufficient to protect us.

Mr. DOLE. I think you were discussing this morning that the thing we are fearful of in many areas is not land retirement but community retirement. On this basis, we have some doubts about retirement

of whole farms and some doubts about the language of this particular section. I think we all agree, and I think it has been substantiated more or less directly or indirectly, that perhaps some land retirement may be necessary. But when you get beyond that point, whatever it may be, it becomes not land retirement but smalltown retirement. This, of course, we do not want in any rural area, including Kansas.

Are there any other specifics in title V any of you might want to make reference to? What about the lump-sum payment or accelerated payments under title V?

Mr. DANIELS. I believe, if I understand it correctly, that it gives the farmer a choice.

Mr. DOLE. Yes.

Mr. DANIELS. I think probably there would be no objection.

Mr. DOLE. Do you as a farmer feel that if accelerated payments are made—in other words, all one sum—this would attract more participation in the program?

Mr. DANIELS. We think it might. We are fearful of getting the whole farms again. That is what we are afraid of.

Mr. DOLE. Do you feel the lump sum might be attractive?

Mr. DANIELS. It might be.

Mr. DOLE. Of course, you realize you would get less in one lump sum than in 10 annual payments.

Mr. JOHNSON. I think in a land-conversion-type program, the lump sum might have an advantage. But I do agree with the statement Mr. Daniels just made, that if you are opposed to putting in whole farms and you provide lump sums, in that context, we are opposed to lump-sum payments. But if you are converting land and the farmer can get a lump sum, it gives him a little capital out of which he can help convert. If he cannot use ACP, or some of these other programs—in many cases, he could, I think—but if he cannot, he has a little capital here with which he could convert land to other use.

Mr. DOLE. There are other considerations such as income tax and social security, which we explored a little bit earlier, in other hearings. This afternoon, we will hear from Mr. Kendricks. He raised a good point about retiring all of any one crop. The present language is a little inflexible and might be a disadvantage in the long run if a farmer has to take out all his wheat acreage to come within the purview of this title.

Mr. JOHNSON. Congressman Dole, I think that is kind of living in a dream world a little bit. If you think a farmer growing wheat is going to put all his wheat acreage in, the only basis on which he would do that, in my opinion, is if he were permitted to get out of farming and retire his whole farm. That is the only way you could get a man to put all of his allotted wheat acres, because that is his income. I have some doubt about whether or not it is desirable to have a retired farmer stay on the farm. If a man is going to quit farming, we would like to see somebody come around, a younger farmer, and have an opportunity to acquire that farm. We have senior citizens housing being built now to seashore and warm climates and people are going to be more mobile. Maybe it would be better for a farmer to sell out to a young farmer rather than retire and live in the same house and put in all the land and the Government pay him to live there until his life ends.

Mr. DOLE. We all agree that if we are to have a retirement program, specific cropland should be retired. But whether we have to retire all of one crop is a matter of controversy that will be discussed sometime later.

I have one other question to ask Mr. Daniels on preserving history. As we understand the present provision, many farmers who would like to stop farming—older farmers or professional men who plant wheat every third year just to preserve their history—it is provided in this title that history can be preserved without doing this. Have you given this provision any thought?

Mr. DANIELS. I think that would be good, because to compel a man to plant wheat every third year, even if it is every third year, to keep history, the wheat history is a valuable thing in western Kansas, at least. If they do—could keep that history without planting the wheat, I am sure they would not plant it. We are told we have too much wheat, so I think that part of title V would probably certainly be all right.

Mr. DOLE. That is all right.

Mr. POAGE. Thank you, Mr. Dole.

Mr. Callan?

Mr. CALLAN. In this retirement program, as you people know, we are going to have to get quite a few city and urban votes in order to pass any farm bill at all. If the determination is made that in order to get these votes so we can pass the total farm bill that an acreage retirement program had to be in there and perhaps you had to have it so you would retire whole farms to provide recreation in these areas and around cities, which is becoming more and more popular, and promoted by different groups, would you say that you would oppose the whole program, even though the emphasis was for taking part of the acreage out? Would you oppose the whole program if we, in our judgment, thought there might be a possibility of jeopardizing the whole farm program?

Mr. JOHNSON. Congressman Callan, I would like to take just a minute to develop our views in this regard.

Number one, we do not consider city Congressmen to be unfriendly to farmers. They have proven in the past interest in helping farmers maintain a program. I think there is some concern on the part of city Congressmen that under provisions of the bill before the committee now that would have a tendency to increase income to the consumers, although I think it is a minor issue, and I do not think this is really going to be a factor in the final analysis as they decide how to vote.

I very strongly believe that city Congressmen are more concerned with problems such as the low wages of farmworkers. I think they were genuinely concerned with the bracero program and the impact that it had on labor in agriculture. They evidenced this because most of them voted to end the program. But when you really get down to measuring their concern for the welfare in an economic sense of farmers, they have done very well by us. I really do not see that we have any problem here.

I do agree and we in the Farmers Union have strongly supported the kind of strategy that would get before the Congress a bill in which we would only ask them to vote for us one time. I am very

happy to see, Mr. Poage, that that is the direction that the committee is going. But that is the first premise.

Let me say a part of this, and I did not put this in my statement—I did not know whether to or not, but Congressman Poage has a bill which he has introduced which would provide a means for establishing a corporation to be shared in by both private interests as well as Government, in which you could buy some of the land adjacent to large cities. Now, frankly, if you want to provide recreational opportunity for city people, rather than hit or miss as to whether a farmer takes his whole farm out, it would be better to have a conscious and deliberate planned program for this purpose.

I think, Congressman Poage, I would add, I would adjust your limit on miles out of the city a little bit here and there, but the idea is basically sound, especially the provision that you have in this bill which would let Government units, where they needed land, to complete plans for expansion of cities such as parks, schools, et cetera, buy the land at the price that the corporation bought it for. This does not prevent some opportunity for profitmaking by the corporation where land values go up. But it does protect local governments in the need that they have for land to put to good constructive uses.

I believe that—everytime I have checked this out with my city friends in Congress, I find that they are enthusiastic about this kind of program.

Now, some of them, Mr. Poage—may I take this off the record?

Mr. POAGE. Yes.

(Discussion off the record.)

Mr. JOHNSON. Back on the record, Mr. Chairman, I would like to suggest that we have a hearing up here sometime at which we could develop some discussion along the lines of your plan.

I do think, Congressman Callan, that that is the answer ultimately to the land that we need around cities.

Mr. CALLAN. Mr. Poage has presented this before the committee and I would say offhand this is going to be incorporated in our plan.

However, I do want to point out a few things. Last night, I visted with three Congressmen from New York. I have been visiting with Congressmen from our side who represent metropolitan areas; I have visited with people from Washington and all over the United States. As you know, there is an organization that is promoting this bread tax idea. These fellows were frankly concerned about the support of this farm bill. Now, we are going to have to have enough in this program to get their support or we are not going to pass anything. This is the reason I mentioned the fact that if this acreage reserve type of program, and if it had to come out, whether it was a provision so you could put a whole farm in there if you wanted to, with the emphasis on part farms. I agree with you, what you are trying to do—would you oppose it? That is the question I was trying to pose to you.

Mr. JOHNSON. If we could have emphasis in this program on land use, diverting land use from crops to grass or trees or some other use, even including recreation or any other uses, that takes it out of agricultural production, yes, we would be very much interested in that kind of program.

Mr. CALLAN. Thank you.

Mr. TEAGUE. Mr. Chairman, just briefly, this is not a question, but since Mr. Johnson chose to mention the bracero program on the record, I want to make this statement. I have felt and I still feel that the Farmers Union had no proper business opposing the bracero program. I think the farmers in the Midwest, small farmers, members of the Farmers Union, have an entirely different problem from the small farmers in the West and Florida have. I predicted during the hearings, and it is well borne out by the facts, that the big farmers in this country can weather the difficult problem of adjusting to the absence of supplemental foreign labor. They are doing so. It is the small farmers in the West who are hurting. They are hurting badly. The big farmers are outbidding them, they can mechanize, they can provide housing, all sorts of things the small farmers cannot do. If your organization were strong in California, you could know that is the case. You can confirm this with Congressman Sisk, Congressman Hagen, Congressman Moss, any of the people who represent small farmers in the West.

Mr. POAGE. Thank you, Mr. Teague.

Any other questions?

Mr. HEIMBURGER. Just one question.

You gentlemen as practical farmers know how crops are produced and that additional fertilizers can be put on acres to produce larger yields. I wonder if you would not agree that if the reduction in the total production of a particular crop is the objective of retiring land, this can be achieved better and more effectively by a farmer retiring his whole production rather than only 20 percent of each farmer's production? Would you not agree that this is the case?

Mr. JOHNSON. At the sacrifice of moving farm families out of agriculture, which we are opposed to.

Mr. HEIMBURGER. Now, wait a minute, Reuben. You went too far. I did not say anything about that. When a man has a 20-acre wheat allotment and a 60-acre feed grain base and he has a few dairy cows or some other livestock on the farm, giving up his entire wheat allotment for a year or for 2 or 3 years is not moving the family out of agriculture. I did not suggest that.

Now, admittedly, out in Kansas and some parts of the country, if wheat is your only crop, then this is a different story. But this was not the question I asked. The question I asked was, Can a reduction in production be accomplished more effectively by retiring a farmer's whole production of the crop or by retiring only a part of the production of a large number of acres of the crop?

Mr. JOHNSON. John, to ask a Farmers Union witness a question like that and expect him to give a yes or no answer is just like asking a man if he has stopped beating his wife. I would have to give a lot more explanation than just a yes or no answer here.

Mr. DOLE. Maybe one of the farmers could answer.

Mr. JOHNSON. I would like to have them comment on it. Just let me say this. I would prefer that this not be on the record, but it is all right.

Mr. POAGE. Take it off.

(Discussion off the record.)

Mr. POAGE. Back on the record.

Mr. DANIELS. I will take a try at it. Where I live, wheat is the crop. We can raise some grain sorghum sometimes. Of course, where they irrigate, grain sorghum is very productive. But I cannot irrigate. I do not have the water. I would like these other fellows in other parts of Kansas, where like you say they have a small wheat allotment, maybe a corn allotment—one of you other fellows want to comment on it?

Mr. SANDOW. We have areas in my part of the State where what you are talking about I think would be very practical, because they are units where a man does not make his entire living off the wheat crop. It begins to be a minor item, especially smaller units around Abilene and Herington. They are the two smallest towns in the area, about 8,000 in population. But I do not think this would be practical in other parts of the State.

Mr. HEIMBURGER. Thank you. I think that answers my question and I would agree with Reuben and with all the rest of you that there are many other problems to be considered here. But I was merely trying to get your opinion as practical farmers as to whether or not for the one purpose of reducing the total production of the commodity, it is not more effective to take out an individual farmer's whole production of that commodity rather than merely to reduce the acreage of a lot of farmers. I think you all agree that this is a more effective way to do it. Whether it is a more humane way and in the long run more economic way to do it is another question.

Thank you, sir.

Mr. POAGE. Any other questions?

The Chair has to announce that if we are going to continue long, we are going to have to go over until afternoon. If we are going to wind up right away, we will stay in session.

Are there any other questions?

If not, we are very much obliged to you gentlemen.

The committee will stand in recess until 2 o'clock this afternoon.

(Whereupon, at 12:10 noon, the committee recessed, to reconvene at 2 p.m. on the same day.)

AFTERNOON SESSION

Mr. POAGE (presiding). The subcommittee will come to order. We will hear first from Dr. Bean, who is present. Mr. Graham of the Grange has arranged to let him proceed first. Mr. Bean is economic analyst. We will be glad to hear from you now.

STATEMENT OF LOUIS H. BEAN, ECONOMIC ANALYST

Mr. BEAN. Mr. Chairman and members of the subcommittee, I appear here today on behalf of myself. I read recently about an argument that had been presented to this bill, and it happened to touch on some statistics that I am familiar with, and I thought that it might clarify the problem if I presented to you what I see.

Mr. POAGE. We appreciate your appearance here.

Mr. BEAN. Five years ago I had the privilege of suggesting to the House Committee on Agriculture that the then existing huge surplus of feed grains could be reduced in part by diverting corn production to soybean production. Two of the reasons for this suggestion were that

an acre of soybeans produces less feed than an acre of corn, and that there was developing a vigorous demand for soybeans and soybean products. Since then soybean acreage has been substantially increased and the demand for soybeans is proceeding at a pace even more vigorous than that of 5 years ago.

Today I wish to present to you certain facts in support of the proposal contained in H.R. 7097 for adding soybeans to the list of commodities which may be planted on acreage diverted from feed grains and from wheat.

It has been argued that soybean producers do not favor that this authority be given to the Secretary of Agriculture for fear it would lead to surplus production and Government intervention, and that it would interfere with the contribution that the soybean production has been making to our commodity export balance. It has been pointed out that the 1965 soybean production is "forecast" at 829 million bushels and that this would produce a surplus of about 100 million bushels by the end of the 1965-66 crop year compared with the prospect of practically no carryover at the end of the present season.

There are several facts that need to be observed in view of these arguments. They gave to do with a clearer view of the growing demand for soybeans, with the prospect of acreage expansion after 1965 and with the prospect of yields per acre which will help determine the production in 1965 and in subsequent years. These facts show (1) that there is no certainty that this year's crop will be as large as 829 million bushels, (2) that following this year's expected acreage increase, there is doubt that similar increases will take place in 1966 and 1967, (3) that per acre yields for the next 2 or 3 years are more likely to average below normal, than to average normal or better, (4) that a slowdown in acreage expansion combined with below average yields as now projected would result in production considerably below expanding demand, (5) that such a development would result in an advance in prices, which in turn would stimulate the production and use of competing feeds and oils, and finally, (6) that the soundest way to maintain the growth of both domestic and foreign demand for soybeans is for U.S. producers to be in a position to provide this growing demand with adequate supplies at competitive prices, and not, as was the case this season, with higher prices because weather kept supply down.

In other words, this year we do have, we could have sold more soybeans had we had them.

What is the current demand for our soybeans? And what is it likely to be in the next few years? As I study the record of demand, taking the support price as a basis, it increased slowly at about 10 million bushels annually during the 1950-55 period; it increased to about 40 million bushels annually during the 1955-60 period and about 60 million bushels annually during the 1960-64 period. With stable prices and rising demand, soybean producers could have a demand rising from, say, 800 million bushels for the coming season 1965-66 to 875 million bushels in 1966-67 and to close to a billion bushels by 1968-69 season.

What are the prospects that acreage and yields per acre will enable soybean producers to meet a demand of 800 million to a billion bushels in the near future at competitive world prices?

You might say this calls for some crystal-ball gazing. Not so, if you look at the acreage and yield record as I have laid it out for you in the accompanying chart.

You might like to look at that chart.

In the record of soybean acreage expansion you see the fact that while expansion has been persistent since 1949 it has not been uniform year after year. Between the trend of maximum yields (the upper trend line) and the trend of low acreage years (lower trend line) there is a difference of about 3 million acres. And if one were to protect the most probable acreage for, say, the 1966 crop, the figure would be somewhere between 32.5 and 35.5 million acres, or most probably about 38 million acres.

In other words, this record says to me that the 1962 total acres in soybeans may not be much different from what it is to be this year.

Now what does the yield record in the lower half of the chart point to, first for the long run, and second, for 1966? The long-time trend is a slow moving one and holds little promise of a sharp upturn in the near future due to technological gains, such as in wheat and corn and other commodities. I am talking now about the upper line in that lower chart marked "yield" which you see is rising from 1940 to 1949, to 1961. This refers to the slowly rising yield trends.

From the peak yield of 22.3 bushels in 1949 to the peak of 25.2 bushels in 1961, there was an advance of 1.9 bushels or about 0.15 bushels per year. At this rate the next peak, were it to come within the next 3 to 4 years, could not be expected to go above 26.5 bushels. Between 1949 and 1961 there was an increase in production from 234 million bushels to 680 million bushels or nearly 200 percent, compared with a yield increase of only 13 percent. And this is likely to be the case in the future. In the view of George W. Kromer, of the U.S. Department of Agriculture in the March 1965 "Fats and Oils Situation," "soybean yields have remained on a plateau." He quotes Dr. N. W. Parker, Director of Crops Research Division, ARS, "It will be uphill work to raise soybean yields from the plateau on which they have remained so long." (This is from Fats and Oils Situation, March 1965, page 35.)

For judging the short-term yield prospect, more specifically the yield for 1965 and 1966, we must note another peculiarity of the yield record; namely, its cyclical character. Following years of peak yields, there are several years of lower yields. This immediately raises the question as to the basis for the so-called "forecast" of a 1965 crop of 829 million bushels and the threat of a large carryover into the 1966-67 crop year, if that would materialize. This figure of 829 million bushels is obtained by assuming that acreage harvested this year will be about 33.2 million acres. To this the USDA has applied a normal yield of 25 bushels, this being the 1958-1963 average. (You will notice on the chart that this is the highest average of the entire period) projected to 25 bushels to allow for the typical, slow long-time trend. This is therefore not a forecast of the 1965 yield, but rather an estimate of what it might be under better than normal growing conditions.

Very few people realize that this figure that the Department is using is not a forecast of production—it says merely that there will be, probably, 34 million acres harvested. And if the yield is normal, the weather is reasonable, this is what the production should be—not what it will be, what it could be.

A more realistic view of the most probable yields for 1965 and 1966 may be obtained from the cyclical character of the record. After each of the two high yield periods, one ending in 1939, the other in 1949, yields settled to lower 1962–64, they have trended downward, as they did after 1939 and 1949. By the fifth year after the 1939 and the 1949 peaks, which would correspond to 1966 (that being the fifth year after the 1961 peak) yields were still about 2.5 bushels below the yields of the peak years. Thus it would be more reasonable to guess that not only may the 1965 yield not reach the assumed 25 bushels, but that the 1965 yield may be about 2.5 bushels below the 1961 peak, or about 22.5 to 23.0 bushels.

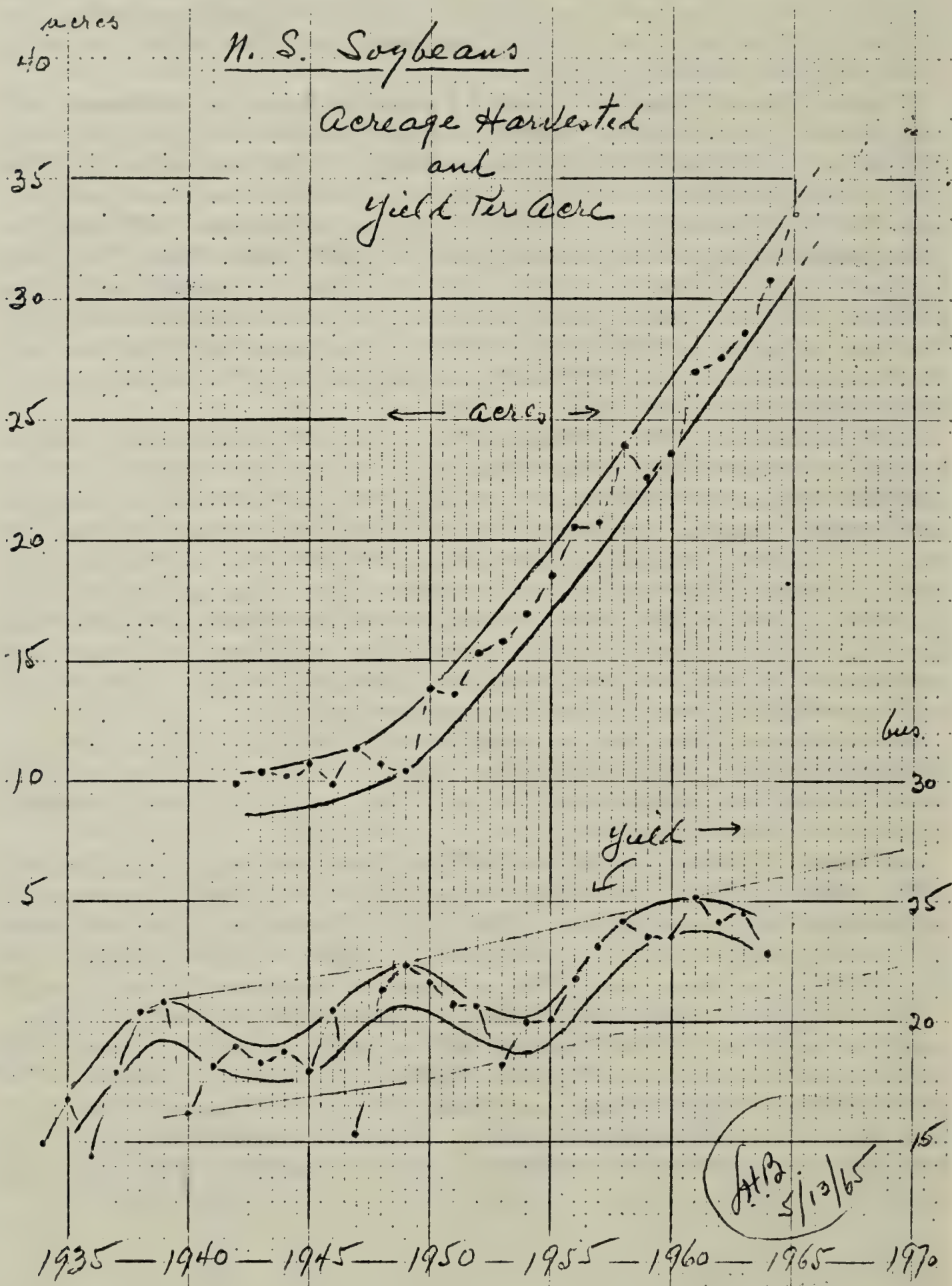
Now if there is a 1966 demand for our soybeans of about 850 million bushels at competitive world prices and yields are not better than the 22.5–23.0 bushels to the acre, we would need 37 to 38 million acres to meet such demand. Judging from the 1949–65 acreage record, we are not likely to have that many acres in 1966, and since the yield record throws doubt on the current assumption of a normal yield of 25 bushels for the 1965 crop, soybean producers may not have that kind of carryover that would be required to supplement the possibly inadequate crops of both 1965 and 1966. Relatively high prices would again prevail and would stimulate competition.

For example, recent developments with feeding urea, a nitrogen product from the air, indicate the possibility of displacing meal in the rations of ruminants entirely with urea, especially when soybean meal prices are relatively high.

Soybean producers undoubtedly know that meeting rising demand with relatively high prices does not provide a solid basis for expanding demand and production. They should, therefore, also be aware of the foregoing facts as to the strong prospect of lower rather than higher yields per acre, and of the prospect of inadequate acres as well.

Under these circumstances authority to use diverted feed and wheat acres for soybean production appears to me to be a way of assisting soybean producers to maintain the universally expanding demand for their soybeans and soybean products, for it would assure consumers here and abroad of more adequate supplies from season to season. It would be in the nature of a guarantee that the position soybeans have attained in our total export balance would not be jeopardized.

(The chart entitled "United States Soybeans" follows:)



Mr. POAGE. Thank you very much, Mr. Bean. I think that you bring out something that we have overlooked. I know that the yield moves up and down. I recognize that there is a general trend upward but most times it is almost a straight line upward.

Mr. BEAN. Basically, it is the influence of the weather.

Mr. POAGE. The influence of the weather is considerably greater on soybeans than it is on other grains, is it?

Mr. BEAN. I have not presented my chart on wheat, which is even more striking in its effect than in soybean.

Mr. POAGE. It is?

Mr. BEAN. Yes, sir; and any time that you are ready for another chart I will be glad to come in with it.

Mr. POAGE. I think that would be fine.

Do you have any questions? Mr. Teague wants to ask you a question.

Mr. TEAGUE of California. I live on the west coast in California. We have avocados, and lemons, and oranges and many other things, but I do not know a great deal about soybeans. Will you tell me a little bit about the principal use of soybeans and soybean products, and why you anticipate an increased demand?

Mr. BEAN. Soybeans have come into prominence in recent years, because it has been discovered that they are an excellent feed item for the meal in soybeans is an excellent item for poultry, for all animals. We have been helping the rest of the world to get into livestock production and as a result of it other countries increased their purchasing power, and their purchasing power increased, resulting in increased demand for meat. And so you now have a really universal interest in soybean meal for feed.

The oil of the soybeans, of course, is the basic support of the margarine industry.

There is, also, an expanded use of oil in our feeding programs abroad.

The two items that are of greatest need abroad, so I am told by nutritionists and by different agencies who happen to be in this, are the high protein and vegetable oils. So while most people look upon the rising demand for soybeans in terms of feed for meal there is emerging an additional demand for meal as a food.

There is great activity going on in India trying to convert soybeans meal into a variety of foods.

Mr. TEAGUE of California. For humans?

Mr. BEAN. For humans. Now if you wish, sir, find yourself a tin can of chicken meat, it is delicious—made entirely out of soybeans. Or any other meat substitute. This is an emerging demand. It is not yet great, because it is being marketed in a rather expensive fashion. As a matter of fact, I just read a survey conducted in the State of Iowa where people were asked, "What do you think of the prospects of these substitute meats from soybeans?" And more than one-third of them said that they expect to see that demand expand a great deal.

So this is what I see as the future demand, the additional demand for soybeans. But at present the demand is from the livestock industry very largely.

Mr. TEAGUE of California. Thank you.

Mr. POAGE. Mr. Greigg?

Mr. GREIGG. Mr. Bean, we have had several individuals and groups come before us and testify in opposition to the planting of soybeans on diverted acres. And in the testimony they point out that there will be a sizable increase this year in the overall production of soybeans. The question that I would like to raise with you is this: In my particular area, as in other areas in the Middle West, we have had con-

siderable high water. As a result, we have had some pretty wet land. It is my understanding that you can plant soybeans under conditions that normally would not be so advantageous to the planting of corn. Do you visualize, on the basis of the type of difficulty we have been experiencing in the Midwest this year, that we will see an increase over and above what they have already predicted as a result of the wet weather?

Mr. BEAN. Do not look upon me as an expert in the production of soybeans and how many acres will be used. All I can tell you is that I, too, have read this kind of comment. What has happened so far this year—there may be more of an increase in acreage than the U.S. Department of Agriculture reported as of April. How much more, I have no way of guessing. I think I have seen a figure of an additional 500,000 acres, on top of what the Department has estimated. There are two points, if you assume that there will be a few more acres in soybeans than the 33 million estimated so far. One question is, what will be the yield on that amount of acreage for this year? And, certainly, what will be the acreage in 1966? And this is one of the reasons why I had hoped that you would, after I leave here, study this chart more intimately, because the acreage record, as you look at it, it says to me, that once you have stepped up the acreage very fast as we did in 1950, as the producer did in that year, and, again, in 1961, we did not get an additional sharp increase. That is why I, for the moment would not expect to see the 1966 acreage figure any higher than it will be this year, whatever it will be.

Suppose it goes to 34 or 34.5 million acres. From this record I would assume that the 1966 acreage would not be much different from that. And, of course, the second question is, what kind of yield will you have on the 1966 acres? And for that purpose, I supplied this record of yields which I know is not known to the people, the Department of Agriculture people, who have not seen that kind of presentation on yields. The trade people are not aware of this cyclical character. And I am pretty sure that none of you have seen this chart, because I worked it out the night before last.

The main point of my appearing here is to leave with you, first, the impression that an acreage expansion this year does not necessarily imply continued expansion from here on out, but, rather, the record suggests that once we have had a sharp expansion for some reason or another you will wait a while until you undertake another one.

The second point that I want to familiarize you with is the great possibility of a lower yield, rather than the possibility of a higher yield for this year and next year.

If I have succeeded in doing that, I will be satisfied.

Mr. POAGE. Mr. Gathings.

Mr. GATHINGS. Dr. Bean, you have given us a story here that is a little bit different from what I have been getting heretofore.

Mr. BEAN. That is why I am here.

Mr. GATHINGS. I wondered whether or not you were present when the policymaking people determined to present this legislation on soybeans—did you have anything to do with that policy?

Mr. BEAN. No. I stepped into this, because I read it in the press, that this particular point is being argued before you, and being familiar with the record of yields that I have been studying rather ex-

tensively for the recent past years, I did not see the basis for the few years which Mr. Strayer and others have presented that we are on the verge of a tremendous crisis in soybeans, because we are going to have a tremendous surplus in this year's production. I do not see the basis for that.

Mr. GATHINGS. They had a table—and that table flows up and down, that they presented as to the production. What is the basis of your assumption that the 1965 and 1966 crops of soybeans will be less than 25 bushels across the board production?

Mr. BEAN. I have no more basis than what you have before you in the very same chart that I am looking at. I am basing my judgment on the character of this particular animal known as "yield of soybeans" and the essential character of it is that it seems to have up and down movements over the years which implies that at this time, 1965–66, we appear to be heading into a low period of yield comparable to that of 1953 to 1955, and to that of 1940 to 1945.

All I can say to your, sir, is that this is the historical record and it is up to others to deny the significance of this feature of yield.

Mr. GATHINGS. Well now, we had over a 10-year period of time, here a while back, an average production over the belt of 276 pounds of cotton to the acre. Now it has jumped up to around 530 pounds to the acre.

Mr. BEAN. 527.

Mr. GATHINGS. That is right. That is for cotton.

Mr. BEAN. These are two different animals. This is why I quoted Mr. Parker, the head of the Crop Research in the Department of Agriculture who has surveyed the prospects of getting rising yield of soybeans similar to what you have experienced in cotton, and what the Corn Belt has experienced in corn. They do not see emerging in the next 2 or 3 years any such technological upward pushing soybean yield. This is why I wanted you to be aware of it, that the experts in this field do not see any such potential. That is why I call again to your attention that during this very period when cotton has gone through a technological revolution that soybeans from 1938–1939 to 1961 have not shown any similar experience. There has been a very slow uptrend in yields.

Mr. GATHINGS. According to this table.

Mr. BEAN. Not according to the table. The table itself merely is a reflection of the facts that exist.

Mr. GATHINGS. According to the table, yes, sir, but did you ever grow any soybeans?

Mr. BEAN. Pardon?

Mr. GATHINGS. Did you ever grow any soybeans?

Mr. BEAN. No, sir. Nor cotton, no wheat, no corn. I do my farming on my desk.

Mr. GATHINGS. You are not basing your estimates here on whether or not it is going to be a rainy season or a dry season? Did you know that in order to produce soybeans you need some water to fall, or else you need some irrigation? If you have a dry year your yield is low.

Mr. BEAN. That is right.

Mr. GATHINGS. Do you think that it will be dry years in 1965–66—are you assuming that?

Mr. BEAN. I am not assuming, sir.

Mr. GATHINGS. Soybeans if they are in surplus, would go into the Commodity Credit Corporation stocks. Would you want to buy them from the Commodity Credit Corporation?

Mr. BEAN. No. If you think that you are going to pile up soybeans in Commodity Credit Corporation stocks on the basis of your assumption that the yield is going to be 25 bushels, and that the acreage is going to expand this year and again next year, I say, that as I studied the record, I do not see the basis for that kind of fear, because the record implies that we are, for various reasons, weather and other reasons, that we will have advances in yields similar to those in other periods, and it is not for me to deny this record. That we will have a balancing of yields.

Mr. GATHINGS. The increase that you are speaking of, some 3 million acres in 1965 and the estimate for 1965 is that it will be around 33.2 million?

Mr. BEAN. Right.

Mr. GATHINGS. You are saying that what we need maybe is a kind of plan for 37 to 38 million acres to be planted to soybeans.

Mr. BEAN. Yes.

Mr. GATHINGS. When?

Mr. BEAN. If the yield should only be 22 to 23 bushels to the acre to meet the kind of demand that everybody agrees we now have for soybeans we should today—

Mr. GATHINGS. There has been a gradual year-by-year increase in the acreage of soybeans. You are telling us what we ought to do is to give the Secretary the authority, the carte blanche authority to use, if it should so determine, a part of this year's estimate of diverted acres of 35 million acres on soybeans and paying up to 50 percent of the going rate—do you believe in that philosophy?

Mr. BEAN. I believe the language in the bill is pretty well chosen, and I do not read in that language any carte blanche authority to the Secretary to overwhelm the world with soybeans. He has to take into account the variety—a variety of considerations.

Mr. GATHINGS. Yes, sir. We will have to write the law—it is up to us to make some determinations.

Mr. BEAN. Before the Secretary makes any basic consideration he will be consulting with you and with the trade and everybody and the farmer, and will be told whether he is right or wrong. I have considered that.

Mr. GATHINGS. He has not been given that authority to date.

Mr. BEAN. If I was a soybean producer, however, I would like to make sure that if by chance this yield record turns out to be prophetic that we are going into a low-yield period, then I would like to see some authority that would provide additional acreage to meet the demands.

Mr. GATHINGS. We were able to come up with this rate of production in 1964—we had enough beans to meet the demand at that time.

Mr. BEAN. No, no, I disagree with you, sir.

Mr. GATHINGS. How is that?

Mr. BEAN. I disagree with your last statement that we have enough beans to meet the demand.

Mr. GATHINGS. There has never been an order unfilled according to the soybean people.

Mr. BEAN. May I say what I understand the situation is? You could have sold more beans this year if you had had them. True, you did not sell them because you did not have them, but you did have a higher price, but as I understand Mr. Strayer and the others, they think that the demand this year was for about 800 million bushels if such a crop had come along at a reasonable price. This is the point that I am trying to make, that you have studied the question of the demand, not in terms of what you sold, but in terms of the prices which you sold this crop.

Mr. GATHINGS. Do you want to give the Secretary discretionary power to use as he sees fit?

Mr. BEAN. Yes. I would like to see somebody concerned with an adequate supply of soybeans if the weather plays against the soybean producer as this record of yours seems to suggest. This is my belief.

Mr. GATHINGS. As an economist you would look at it that way, but there are a lot of folks who will not agree with you.

Mr. BEAN. That is why I was interested in presenting the facts to you.

Mr. GATHINGS. You are dealing with curves on a piece of paper and 1964 showed a fall off in production because the season was dry.

Mr. BEAN. This is what producer officers are doing, also, looking at the record.

Mr. GATHINGS. I hope that the demand will be there and there will be an ample supply of soybeans to take care of that without this.

Mr. BEAN. What makes you think so—what makes you think so?

Mr. GATHINGS. How is that?

Mr. BEAN. I say that there will be ample soybeans to take care of the demand.

Mr. GATHINGS. There always has been and there will be, yes.

Mr. BEAN. Not for the last several years.

Mr. GATHINGS. You have not been attending the rice hearings that we have been holding, have you?

Mr. BEAN. No.

Mr. GATHINGS. The Department made some recommendations on rice, and should it be approved, and I hope it will not, every acre that would not go into rice will go into some other crop, largely soy beans. There will be 200,000 additional acres of it right there to go into soybeans in 1966, all across the belt. You have not convinced me that you are going to go down from 25 bushels to 24 to 23.5 bushels, just because you have some waves on a piece of paper.

Mr. BEAN. I did not make those. Nature makes those. And nature continues to operate. And if this is the way that nature deals with the soybean yields, I am not going to deny that this year that nature will not perform as usual. You may do so. I have delivered the figures.

Mr. GATHINGS. I do not have any animosity towards you. I am glad that you came.

Mr. BEAN. I will make one parting remark, if I may, since you do not have faith in the record.

On the basis of studying charts like these, State by State, I will be able to foresee a year in advance that the yields per acre of soybeans in our opinion Illinois will be considerably cut this year. This reduction in yield per acre of soybeans that occurs this year was foreseeable

on the basis of the records. So I have great faith in the statistics that you do not seem to have.

Mr. GATHINGS. I can drive down the highway and I can see a sign stating, "Be prepared, the world will come to an end." Would you agree with those signs, because some fellow has schemed out ahead that it is bound to happen, "the world will soon come to an end—prepare ye now?"

Mr. BEAN. I have no reason to see that, or that the end is here, and that you must prepare, but the yields per acre will follow and will follow the fluctuations and these ups and downs that I am sure are in soybeans, and are even more strikingly seen in wheat and in other grain products.

Mr. GATHINGS. You are warning—you have put up the flag. And here are these waves, you had better heed them—but let me tell you something, that there will be available all of the soybeans needed in this country—all that we can ship abroad, too. We do not want to pile them up in the Commodity Credit Corporation stocks. It will drive down the price to the farmer if that happened. It would cost the taxpayer considerable money, too.

Mr. BEAN. I am just as interested as you are in having soybeans go into the market and into the bellies of the kids abroad. That is why I am interested in your not making a misjudgment in the face of the possibility of low yields, but rather have you err on the upside than on the downside.

Mr. GATHINGS. You have given us your views.

Mr. BEAN. That is all that I wanted to do.

Mr. GATHINGS. Thank you.

Mr. POAGE. I just want to suggest that we have taken about 50 minutes on this subject.

Mr. GREIGG. You do not have any statistics on the production of urea?

Mr. BEAN. Urea—I do not have it.

Mr. GATHINGS. If you will yield, it was my fault. Dr. Bean is not responsible for the time that I took. I am sorry that I took so much time.

Mr. POAGE. That is perfectly all right.

If there are no further questions, we are very much obliged to you.

Mr. BEAN. Thank you very much.

Mr. POAGE. We will now hear from Mr. Harry L. Graham of the National Grange.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, THE NATIONAL GRANGE

Mr. GRAHAM. Mr. Chairman and members of the subcommittee. I will try to make this as brief as I can, even though I think that we are in one of the most important discussions that has to do with the omnibus bill that is before this subcommittee this year. And I think that the pace at which you have conducted the hearings indicates that you are, also, aware of it.

Mr. POAGE. We are. We do not want to cut your time down—we do not want to cut anybody down. So we will be glad to hear from you now.

Mr. GRAHAM. I am going to file the statement, first, and pull out some highlights from it as I go along, with your permission.

Mr. POAGE. That will be perfectly fine.

Mr. GRAHAM. That is, in order to save a little time.

The National Grange policy was established, as you know, 8 years ago.

I think that in summary, in the beginning of what I want to say, is that in terms of the conservation reserve, the Soil Bank, we believe that the money was well spent, and we recommend a continuation of this conservation reserve at this time.

In terms of the acreage reserve we had consideration reservation at that time and still have. There has been one change in the policy of the National Grange and, that is, that due to the unforeseen increase in production and supply in several commodities the Grange approved the continuation of the Soil Bank program, at least, a continuation of the contract for the Soil Bank for, at least, a few years.

However, the proposal to use a program of cropland retirement as "a keystone of the long-range adjustments farm people want to make" still appears to the Grange to be a negative approach to the vast problems which confront commercial agriculture, and a matter of temporary expediency at best.

The Grange, as a matter of established policy, will support a program that will be able to pick up the contracts which are expiring under the original Soil Bank Act. We think these have been out of production long enough so that the rest of our production has assumed some other pattern that would be further dislocated if this came back into production, but we are not ready to admit that this is any answer to the problem of overproduction. If this is to be the only answer to that, then we would enter a very vigorous dissent to this opinion—and I know it is an opinion. We would point out that the day when the factors of production in order of importance; and, labor and capital have been completely outlived and the reverse is now true, because a most important factor in production is now capital, with labor second and land third.

And the example I have used here of what happens when you put water on a desert or arid land, the land is there. It is not in production, but the ability to put \$25,000 to \$75,000 on it just for the drilling of wells alone, to produce a supply of water, makes the desert bloom like a rose, and is the vital factor. The land is not. We do not like to think that so long as we have the possibility of vastly increasing our productive capacity by the use of irrigation, whether it is under Government sponsorship or whether it is the result of private capital, that the irrigation increases are so substantially greater than the production on the land that is being taken out. That is, to say the best. So this kind of a program has an answer to the problem of production.

In that light I think that such long-range programs must come to grips with the problem of capital investment and must find some way of limiting the capital that is invested in order to limit the production from available land. Until this is done, however, we are digging one hole to fill up another in this field of cropland adjustment as a means of producing the overall production of agricultural products. On top of this there are some factors that are involved in the use of the cropland adjustment program as it was practiced in the Soil Bank

and still would be to some extent possible in this program which to us are extremely important. We would point out that the land now that would be taken out to the cropland adjustment program would be in addition to the land which already is out under the Soil Bank program. And in the Southeast, especially, in the cotton belt and in the marginal farming areas where the communities have been so badly hurt by this kind of a program we think that the social costs of this are greater than the economic gains.

At this point we have in the policy also, as stated at the convention last year in which the delegates to the National Grange said that they opposed the Soil Bank program for cotton acreage in any form, either mandatory or voluntary.

This whole program, I think inevitably must result in a continued concentration of land which is removed from production—will result in the concentration of land which is removed from production in the marginal production areas. The money that is paid for this land, obviously, will be more acceptable in the areas where crops are not quite as abundant. It will be more accessible there than in the areas of high production per acre. And so, again, we get this problem of moving land out of production in the marginal areas. This is not the place where we solve the problems of production, because this is not where most of the production comes from. It comes from the more highly developed and more prosperous areas.

This has a tendency—it has to have a tendency—to completely change the character of the land use of the areas, not of the individual farms, not even of counties. It is a whole area problem which points up to us the necessity again of pointing up that the time is here when we must some time decide on a land use program nationally, where we can allocate national programs, if we are going to continue to have Federal programs in agriculture and in rural life and all of these other points where we can allocate on the basis of the best land use and of the Government resources, to get the most results for what we spend.

This point is from the policy of the National Grange, going back as far as 1955. I am still convinced that until we get a land use program that comes to grips with the problem of irrigation, of new land, of marginal lands, of surplus capacity in land, surplus capacity in capital, and study this as an overall project, that most of what we are doing in the meantime is relatively piecemeal application of a solution to small segments of agriculture.

The use of a cropland adjustment program to accomplish basic concepts on the conservation reserve, however, appears to us to be highly desirable. There is no question but that there is a great need for recreational and open space areas, room for children to play, room to develop and preserve the beauty of the great outdoors, and room to provide for the orderly expansion of the living space of a rapidly multiplying population. However, this program as it is suggested does not seem to be the answer to this problem, because the requirements for the kind of space that we are talking about is largely in the areas where production of crops is not a major factor for the population, nor is it a major factor in terms of surplus production.

A great deal has been said about the needs for recreational land but, for the exception of maybe a Great Plains National Park just to preserve some of the rolling acres with a few buffalo and maybe wild-

life on it, great areas that need to be taken out of production if production adjustments are to be attained, simply have no alternate useful purpose.

If we are going to take this out, we must remember it has no useful alternate purpose. Indeed, there may be a very real case made for the economic advantage of keeping this land in production. Probably, that is the only use it has. As, for example, in Kansas, Congressman Dole, that may be the only use for which it is now being put to. In other words, what I am trying to say is that the need for recreational land is not in Western Kansas. It is close to Philadelphia and New York and Washington and Chicago and St. Louis and the major cities of the country, which are not in the areas that we are most concerned about in terms of production.

In this case, I think the suggestion that the Chairman of the Subcommittee has made deserves more than casual consideration. Like Mr. Johnson testified this morning, I think that, Congressman Poage, you had your radius too small, but outside of that I do not see anything wrong with it.

Mr. POAGE. I do not object to enlarging it.

Mr. GRAHAM. I think that that is more realistic to think in terms of 50 miles than 6 miles, because the way our population is exploding this depends entirely on how rapidly a particular area is developing in the country, but this is where we have got to get our recreational land, if it is going to be useful for the people who need recreational land. They cannot go into private recreational areas. They cannot afford to drive 1,000 miles to get to a park. They have to go out on warm days and come back that night. If we are going to move into recreational land, in terms of hunting and wildlife, recreation for people like our friends, behind me, have suggested, this is, also, reasonably close to centers of population.

I know that people drive from the east coast out to South Dakota to hunt pheasant, but I know not many of the people on the east coast drive to South Dakota. They will have to get these areas closer to town than South Dakota, if they want to hunt pheasant.

This then, I think, is one of the directions we need to give more emphasis to. We need to provide that this land that goes out of production has an alternate use, in my judgment. And that alternate use can be in recreational, private and public, close to the cities.

At this point I would point out, also that we have been cutting off our noses to spite our face in our ASCS and soil conservation problems in the United States on the land that we have retired. I am in the program. I know what I have to do. I have to mow my land at the time of the year that I should be leaving the cover on for the pheasants on that farm in order to comply. If it is going to be used for recreational land, then it ought to be managed in such a way that the pheasants, at least, have a place to sit, instead of mowing the field clean. And not only that, we destroy our wildlife habitat, and it costs me money to mow at the same time. So we are not accomplishing anything in this matter. We need some new directive in terms of what the Department puts out for the use of the county committees who draw up these regulations. Of course, where it is weeds, they, obviously, have to be mowed. But in a case where there are no noxious weeds, I see no reason why the wildlife habitat should be destroyed.

And this then would be one reason that I would think that it would be a reason against the National Farmers Union for a longer term contract for the acreage that we are diverting at the present time. Then a person might be able to develop some alternate use in this way. He cannot graze it, of course, but he might have some pheasants or something on that land that he would get a little pleasure out of, if not any profit.

And it is in this direction that I think that we need to go in terms of recreational usages, but even the best recreational specialists that we can talk to say that only about 5 million acres is needed for this kind of purpose. This is a long way from the amount of acres that we are talking about to reduce our production to the level that it should be.

We believe in this instance that the Congress should see that funds are available to do this.

And in the final analysis this problem seems to be one that we need to be going into a little more positively in attempting to solve it more positively than we are doing at the present time.

In the face of the increasing hunger in the world it occurs to us that money would be better than to dispose of needed food for hungry people to use our surplus capital on for the development of the emerging nations—to use it as capital. And one of the uses I read of recently, a very exciting one, was where the only capital that a little group had to start with was surplus food. Now it is a functioning, prosperous cooperative in Turkey, serving the Turkish farmers. They started with a little bit of American food. When we spend \$15 or \$500 million in order to solve our surplus problems, instead of that it seems to us that we would be better advised to solve it in a more sensible disposal of surplus food. To enable the Commodity Credit Corporation to purchase from the market food that is needed to carry out relief commitments around the world, so that we feed on the basis of an adequate diet, instead of on the basis of what surplus food is available. That seems to us to make a great deal of sense. In other words, what we are saying in summary is that the acreage reserve is not anything that we are enthusiastic about. The conservation reserve we hope will get major support from this committee. And in addition to that a positive approach to the problems of hunger and the use of the land. That, in summary, is what I am trying to say, precisely the way I have said it in the paper.

I thank you.

(The prepared statement of Harry L. Graham follows:)

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, NATIONAL GRANGE

Mr. Chairman and members of the committee, I am Harry L. Graham, legislative representative of the National Grange. As a background to this discussion today, let me begin by quoting from grange policy established in the 91st annual session of the National Grange in 1957.

"The Grange has long recognized the need for legislation and programs to assist and encourage landowners and operators in the conservation and development of renewable natural resources. As a matter of fact, the 1955 report of the Intersessions Committee on Soil and Water Conservation (p. 186, proceedings of the 89th annual session) is one of the clearest and most comprehensive statements ever drafted in this field

"The so-called soil bank program, of two parts, has included resource conservation as one of its several original objectives.

"The conservation reserve part of the soil bank is, in its aggregate effect, making a genuine contribution to conservation progress. Most of the land retired from cultivation and put to permanent cover of grass and trees has probably been land that should be devoted to much less intensive use. Much of this land probably would not have been taken out of cultivation at this time without the incentive of the conservation reserve.

"We believe this is money well spent. It has not only added to soil and water conservation but has, in some degree, reduced production of crops in surplus.

"We recommend the continuation of the conservation reserve part of the soil bank.

"The acreage reserve part of the soil bank has been considerably less successful in attaining its original, intended objectives. These included a major reduction in the production of the "basic" crops, a reduction in the Government-held stocks of these commodities, and an improvement in the income of farmers.

"We believe that continuation of the acreage reserve, in its present form, is of extremely questionable value. To be sure, it has provided important income benefits to farmers suffering the effects of severe drought, flood, and storm—and to this extent it has served a worthy and welcome purpose. Apparently it has also helped numbers of elderly farmers to retire and it has aided others who have been operating very small farms to take full or part-time jobs in industry.

"To accomplish its original objectives, however, we believe the acreage reserve should be considerably modified if not completely overhauled." (P. 141, 1957 Journal of Proceedings, National Grange.)

Already, the soil bank program was running into trouble in 1957 and Congress reduced the appropriation for the acreage reserve from \$750 to \$500 million, and the conservation reserve from \$450 to \$350 million. During the time which has elapsed since this statement, the acreage reserve features of the soil bank were brought under more and more fire, partly because of the expanded technology which canceled out any predicted success of this program in reducing surpluses, and partly because of the distress that was caused in many rural communities by the disintegration of the economy of the areas, as a result of the withdrawal of substantial quantities of the productive land in the area. However, the continual disintegration of the agricultural situation before remedial efforts were taken at the beginning of this decade to reverse the trend of the accumulation of surplus commodities created other secondary problems and the National Grange recognized these in the national convention held in 1963, when it said:

"Whereas livestock prices have been under pressure from more than an adequate supply; and

"Whereas 25 million acres of soil bank land contracts will expire in the near future; and

"Whereas the release of all or any part of the 25 million acres of land for grazing purposes would greatly increase the oversupply of meat production: Therefore be it

"Resolved, That the Grange favors congressional action to permit extension of said contracts for a period of 3 years." (P. 118, 1963 Journal of Proceedings, National Grange.)

This modification of the position of the National Grange was inevitably the result of the necessity of putting a diversion program into the feed grains and wheat legislation. However, the proposal to use a program of cropland retirement as "a keystone of the long-range adjustments farm people want to make," still appears to the Grange to be a negative approach to the vast problems which confront commercial agriculture, and a matter of temporary expediency at best.

The Grange, as a matter of established policy, will support a program that will be able to pick up the contracts which are expiring under the original Soil Bank Act. However, it still seems to us to be more fiscally prudent to tie reduction of acreage programs which are designed to reduce surpluses, to the commodity which is being produced. In fact, we may say that it makes the most sense to do this in connection with crops which have a limitation on production that is not expressed in acres allotted to the particular crop. Therefore, we submit to this distinguished committee that diversion payments which are related to the wheat program make the most sense because they lead to an inevitable and predictable reduction in the crops.

These, however, are not a sufficient basis for any encouragement that a long-range adjustment in agricultural production can be accomplished in this manner. We have heard a great deal from a number of so-called scholars in the field to

the point that land is the basic requirement for production and, therefore, land must be retired from production in order to adjust the production of agricultural commodities to the demands of the market. The National Grange wishes to enter a vigorous dissent to this prevalent opinion. We would point out that the day when the factors of production in order of importance, land, labor, and capital have been completely outlived and the reverse is now true, because a most important factor in production is now capital, with labor second and land third.

For instance, there is a great deal of land in our arid western regions, which is almost valueless, even with labor available for the cultivation of this land, until water is applied to it. To apply this water as in terms of private ownership, requires an investment of capital which can run from \$25,000 to \$75,000 just for the drilling of wells alone, to say nothing about the irrigation facilities that are involved afterward. However, once this capital investment is made, land that is worth \$2 and \$3 an acre, then can increase in value to a thousand dollars and upward, and the value that is reflected is not the result of land that is available, but rather the application of capital.

Any long-range program for reducing production must come to "grips" with the problem of capital investment and must find some way of limiting the capital that is invested in order to limit the production from available land. This is a matter of basic economics. The failure to do this in some reasonable way will continue to put extreme pressure on the owner-operated type of land and increase in intensity the effects of a policy which makes survival dependent not so much on efficiency as upon the availability of capital reserves.

A more positive program, and, hopefully, we will begin to look for a positive solution to the problems of agriculture some day in the near future, would be the use of our productive and marketing know-how to expand the use of American agricultural production in the food-deficient areas of the world. This would include the use of food for capital to pay for labor and to be the basis of investment, it would include expanded food relief programs, both at home and abroad, and it would have as its objective the adequate nutrition of all of the people of the world. The locking up of the productive facilities of American agriculture, in a permanent program of acreage reserves is unconscionable in a needy world. Temporary expediency, of course, requires that this be done now. As a solution to our food surplus problem, it would appear to this witness and his organization that the latter is highly preferable.

The use of the soil bank, or cropland adjustment program has been most disastrous in its social results in the southeastern cotton-growing areas. Much of this economy is already at a level where any further reduction in the efficiency of the operation of the industry will mean a collapse of vital segments of the cotton economy. Although we have heard a great deal about the making of ghost towns out of some of the towns in the Great Plains, the real social impact of the soil bank program was in the small family farm units of the Southeast. Not only was the effect felt in the local schools and churches, banks and business houses, but the reduction in cotton planting under the soil bank program meant the destruction of the facilities for handling cotton from the planting stage to the final handler. The gins rust out, the warehouses go into decay, the cooperatives become bankrupt, and the cotton economy itself is in chaos.

It is for this reason that the National Grange made as a condition of its cotton program which it adopted in its 1964 session in Atlantic City, this statement: "We oppose the soil bank program for cotton acreage in any form, either mandatory or voluntary." Another factor about the cropland adjustment program which, I think, is not properly appreciated and completely understood is that the land which is taken out of production must begin with poor land. This is the land that can be rented most cheaply and will be most quickly offered. As a result, the concentration of land which is removed from production will, most probably, be in the marginal production areas. We would point out, however, that many adjustments have already been made in these areas by the farmers who remain on the land, which has enabled them to become less and less dependent upon actual income. The major adjustment has been in the seeking and finding of all farm employment. We hear a great deal about a \$12½ billion net farm income. We are not listening enough to a corollary figure that off-farm income last year exceeded 50 percent of the net farm income, in other words, over \$7 billion. This has enabled many operators to considerably reduce the amount of land that is under cultivation and shift it into alternate uses, requiring less time on the land than was previously used. A further program

to shift large quantities of land out of production in these areas can, again, cause a collapse in the economies of these marginal land areas. This is especially true, if alternate opportunities for employment are not available. There comes a time when the services in an area collapse regardless of the intense desire of those who remain in farming to continue their production.

This means, then, in reality that these reductions will be concentrated in regional areas and that, in general, these are the areas that are already in the greatest economic distress. Now, there may be sufficient economic and social reasons behind a program which would cause these regional adjustments, and this is precisely what some suggestions along this line are calling for, so that we quit diffusing our reduction programs across vast areas, but rather move these programs into the marginal areas so that those areas that are best able to produce can compete more readily with the other producers of this country and the world, for the domestic and world markets. However, this again, points out the need for a thorough study conducted by a competent commission to determine what is a desirable land policy, and then to establish that land policy by proper legislative action. As far back as 1955, the National Grange recommended "a national land and water use policy must not be academic, but must attempt a practical, long-term satisfaction of needs of the people in daily living—for food, for shelter, for farm and industrial production, for travel, for electric power, for recreation and inspiration."

To adopt a land retirement program on the basis of a permanent solution to the problems of agriculture by this committee would seem to be premature and inconsistent with policies of national and international welfare. To adopt it on the basis of this being a temporary solution, while more permanent programs are being devised and implemented, programs based upon sound land and water use planning, sound national and international policy, prudent use of tax moneys and the protection of the integrity of invested capital in many areas, would have the reluctant support of the National Grange.

The use of a cropland adjustment program to accomplish basic concepts of conservation reserve appears to us to be highly desirable. There is no question but that there is a great need for recreational and open space areas, room for children to play, room to develop and preserve the beauty of the great outdoors, and room to provide for the orderly expansion of the living space of a rapidly multiplying population. However, this program as it is suggested does not seem to be the answer to this problem, because the requirements for the kind of space that we are talking about is largely in the areas where the production of crops is not a major factor for the population, nor is it a major factor in terms of surplus production.

A great deal has been said about the need for recreational land, but for the exception of maybe a Great Plains National Park just to preserve some of the rolling acres with a few buffalo and maybe wildlife on it, great areas that need to be taken out of production if production adjustments are to be attained, simply have no alternate useful purpose. Indeed, there may be a very real case made for the economic advantage of keeping this land in production.

In this connection, in relationship to the needs of our urban areas for suburban room, the suggestion contained in the legislation proposed by the chairman of this distinguished committee would appear to us to deserve more than casual consideration. This proposal, in our judgment is lacking in that it does not permit the acquisition of land on a basis that is realistic or adequate, but this in itself should not dissuade the committee from trying to provide for the setting aside of land in a considerably larger area determined by the radius. On the other hand, there should be a program for the permanent retirement of private land when it can be put to public use. This public use obviously should include watershed protection. The failure to develop adequate soil conservation and watershed protection programs in the upper Midwest has been a costly experience. How much better would it have been to have spent the money that was required, both for the retirement of land and the improvement of the watershed and water conservation characteristics of this land, than to be spending the hundreds of millions of dollars to clean up the debris and restore the economic life of communities which can never fully recover from the losses that have been sustained in the last few tragic weeks.

There is also the need for hunting and recreational reserves, both publicly and privately owned, within reasonable distances from our cities. The State of Pennsylvania has recognized this in the adoption of a very important bond issue and the embarkation upon the development of parks that are closer to the

cities. Previously, the parkland in Pennsylvania that was available was as far from the major population centers as was possible. The purchase of recreation land in Lancaster County at \$2,000 an acre may be a much better use of money than the purchase of recreation land in Bradford County at \$3 an acre. The cropland adjustment program should be conceived along lines that would help to alleviate these problems of need and in this instance, they should be closely correlated with the programs for area redevelopment, soil and water conservation, pollution control, and all the rest of the factors that are creating problems for the residents of our rural communities, but more so for the ever increasing urban population.

What we are saying is that we will give enthusiastic endorsement and support to those programs which are permanent in nature, which remove, for the foreseeable future, land from production and put it into productive use that is not confined to the production of agricultural commodities. This, again, is a part of proper land use planning.

The Congress must also see that funds are available, and this also appears to us to be a wise expenditure of money, to help those who so desire in situations that seem to be economically feasible to transform the uses of this land from agricultural production to other profitmaking alternatives.

Such a program must not again enable nonfarmers to purchase and pay for the farms out of the land retirement proceeds. This was one of the most damaging psychological results of the soil bank program as it originally was conceived and executed.

In our judgment, such a program must not be a device used to retire a lot of noncropland. This will take care of itself, pretty largely, except as it is necessary to retire whole farms in order to retire the cropland itself. Considerable care should be taken that this is not a way provided for people to rent land which they don't intend to use anyway.

However, the whole farm retirement concept is one which needs to be most carefully considered, because this is the one which also retires the village businessman, and makes its most severe impact upon a community. However, we recognize that there are points beyond which the partial retirement of a farm is no longer practical, because of the requirements for machinery which would still remain.

Such a program as is conceived and carried out must contribute to rural welfare, instead of contribute to a decline of welfare of rural people. That means that again it must be correlated with efforts to disperse industry and provide employment opportunities in rural areas. The social and emotional factor of the displacement of people must be given equal consideration with the economic and desirability of some of these programs.

It would appear to us that it would be possible to use land as capital for community development and to make available land a basis for the dispersal of industry and to attract this industry into the rural areas. However, the Grange would hold that this must be done with considerable caution and that we must not permit this kind of a program to be a refuge for fugitive industry whose excuse for moving from one area to another is only that they are trying to avoid the responsibilities for paying a living wage to the people who are employed in these areas. By and large, the moving of industries from place to place has not solved any of the problems of American life. Indeed, in many instances they have intensified these problems. However, within the concept which has been developed by the Area Redevelopment Administration, the placing of expanded facilities for existing plants in other areas where there are supplies of labor, and the paying to the labor in these new areas a wage consistent with that which is paid in other plants owned by the same company, is a positive and constructive method of solving some of the problems of both our rural and urban communities.

In summary, the Grange can support the concept of acreage retirement as a means of solving the problems of agriculture only with the greatest reluctance. It can support the program to change the usage of rural land from nonproductive agricultural production into a more profitable, alternative use with a great deal of enthusiasm. We hope that the administration of this program, if it is adopted, will place primary emphasis upon the latter concept and that the farmer concepts be used only in the most temporary basis, while we develop a positive and permanent solution to the problems of American agriculture.

Mr. POAGE. We thank you. Making that conservation reserve a real conservation reserve is the goal. Would you go so far as was men-

tioned this morning? Would you require that this land that is placed in the conservation reserve, actually be subject to soil improvement practices?

Mr. GRAHAM. I think that we need soil improvement in vast areas of the United States to maintain our production, as much as we need a hole in the head. This does not make any sense right now. We can improve the soil, but we can, in case of emergency, increase the fertility of that soil chemically a lot faster—I am not certain—if not a lot cheaper.

Mr. POAGE. I think we all recognize that. Would you then suggest that this land that we retire be simply retired? I gather that you are suggesting that it would become a wildlife habitat. You indicated that you did not or were not opposed particularly to doing anything to the land. We all recognize that you take out a whole lot more land for the same number of dollars, and you can produce some desirable byproducts in doing it. Certainly, you can, if you do not do anything else to it, it will be a wildlife habitat.

Mr. GRAHAM. I think that we should go as far toward conservation as we can go. The reason that I say this is that in general we are still talking about marginal lands. There are people who can handle marginal lands real well, but they are few and mighty far between. This is not a really economic way of handling this. I have a marginal farm. I remember when I bought it. I was asked, "Why do you not go and buy the farm on the other side of the lake? You will find it much cheaper in the long run." I know that you can build up marginal lands, but it costs some money to build it up. What is being talked about is a pretty expensive way of using this money. And the net return to the farmer it would seem to me is simply not high enough to get the kind of compliance that we want. I do not see that it is necessary at this point. It will be a long time before we used that marginal land for major productive effort. I think that I see no indication of anything else.

Mr. POAGE. What you think we need to do now is to simply retire the land—that is the basic thing?

Mr. GRAHAM. Yes; retire it and try to find some useful use for it.

Mr. POAGE. To retire it from specific production?

Mr. GRAHAM. Yes; this is what has worked: When we were in the soil bank, the acreage reserve did not retire our production very much, but the diversion payments increased the cost of the commodity program. But we know what we are paying for. And we know what we are getting. I think it is an honest way of doing it. Let the books show what it means. And when you are retiring acreage in wheat with poundage controls, I mean, with bushel controls, you are getting a basic retirement of production. I mean, a decline in production, if this is what we are after. I think that we ought to keep it with the program and directive retirement for production's sake at the surplus, not at the general land in the United States.

Mr. POAGE. Mr. Dole?

Mr. DOLE. At that point, do you recommend retiring all of it under this program or a portion of it—all of the wheat allotment?

Mr. GRAHAM. This is where any general program for agriculture gets itself into trouble—to retire all of it in the diversified area. I have got a 9-acre wheat allotment. Now, obviously, I ought to retire

the whole thing. It is meaningless in terms of the total operation. But, in general, the wheat allotment in the Northeast is meaningless in terms of general farm income. Of course, you in western Kansas, where you are, that is an entirely different situation. Then to retire it in that area, the retirement of the whole crop makes no sense at all.

Mr. DOLE. Then you think that title V would be effective if we retired specific cropland? You say in addition that all of the cropland be retired? Do you think there would be any participation if we did that?

Mr. GRAHAM. I do not think that in your area you would. Do you think we would?

Mr. DOLE. I do not think so.

Mr. GRAHAM. I do not see how a man could participate out there and live and exist. I think it is self-defeating out there.

Mr. DOLE. Thank you.

Mr. POAGE. Are there any other questions? If not, we are very much obliged to you, Mr. Graham. We appreciate your statement.

We will now hear from Mr. Thomas L. Kimball.

STATEMENT OF THOMAS L. KIMBALL, EXECUTIVE DIRECTOR, NATIONAL WILDLIFE FEDERATION

Mr. KIMBALL. Mr. Chairman, I am Thomas L. Kimball, executive director of the National Wildlife Federation which has headquarters here in Washington, D.C. The federation is a private organization which seeks to attain conservation goals through educational means. Affiliates of the federation are located in most States. These affiliates, in turn, are made up of individuals who, when combined with associate members and other supporters of the National Wildlife Federation, number an estimated 2 million persons.

I welcome the invitation to appear here today and to comment briefly on H.R. 7097, the proposed "Food and Agriculture Act of 1965."

Our principal interest is with Title V, Cropland Adjustment, of the proposed act. However, we do hope the feed grains program will be continued and, for the record, I would like to attach a resolution adopted during our annual convention here in March of this year.

For years now, Mr. Chairman, our organization has supported the basic concept that land held out of agricultural production by Federal programs should be maintained in conservation practices or devoted to uses of public benefit. In this context, we supported the conservation reserve program under the Soil Bank Act. Conservation reserve lands, in the main, made significant contributions to populations of farm and forest wildlife and, to a more limited extent, fisheries.

In accordance with the same principles, we support the concept of title V of the proposed "Food and Agriculture Act of 1965." We recommend that the committee give earnest consideration to approving procedures which will offer the maximum in public benefits.

There is no question that many farms can offer much for outdoor recreation. Farms and ranchers provide excellent hunting, especially for small game birds and mammals.

To a more limited—but significant—extent, private properties offer opportunities for big game and waterfowl hunting. Many farms and ranches have ponds or lakes and streams, or accesses to them, of value for public fishing and other water-oriented recreations. Many also have wooded areas or other sites suitable for picnicking, camping, and other types of outdoor recreation.

Many farmers have these resources, yet are not interested in full-scale recreational opportunities such as shooting preserves, dude ranches, farm camps, etc. It is to the type of bona fide farmer or ranch operator that my remarks are directed.

Mr. Chairman, as we understand the proposed cropland adjustment program, under section 107 of the Soil Bank Act, as amended, farmers would be offered contracts for establishing “practices or uses which will establish, protect, and conserve open spaces, natural beauty, wildlife and recreational resources, and prevent air and water pollution.” Other phases of the agricultural program allow payment for cost-sharing practices which will be of benefit to fish and wildlife. Now, we propose that the Department of Agriculture be authorized to enter into contracts with farmers for additional cash incentives if they open their lands to public recreational uses. Further, we propose that the Department of Agriculture be authorized to enter into cooperative agreements with official State conservation and/or wildlife agencies for help in administering the program.

These proposals, of course, demand an explanation.

Perhaps I should say initially that we believe that most American taxpayers, including many farmers, find something distasteful in offering cash to keep land idle even though they may fully appreciate the economics involved. Diverting unneeded acres into beneficial uses which do not complicate problems of surplus production are much more acceptable practices. With some bias admittedly on our part, we cannot think of uses of such lands which would be of greater public interest and value than for hunting, fishing, and recreation. These are public benefits to which agriculturists could point with pride.

Now, implementation of such a program involves procedural details and I should like to set out a few ideas as we see them.

First, and probably foremost, the farmer must be willing to participate. This proposal is a voluntary program. Some farmers, of course, do not want the bother of having people on their lands. No financial incentives would interest a certain number of landowners. There is no question that some hunters and fishermen and recreationists are poor guests when permitted on a farmer's land, although we have ample statistics to prove that most vandalism and unsportsmanship behavior is caused by a small minority of people. From the farmer's viewpoint, therefore, he likely would want some guarantee of protection from vandals. He likely also would want freedom from liability from those who use his property.

Second, from the USDA point of view, it would not be reasonable or desirable to offer financial incentives to all farmers participating in the cropland adjustment program. Many would not have land and/or water and wildlife resources suitable for public use. Many already open their lands to public uses under existing programs. Some might place only small portions of their farms in the cropland adjustment program but would open larger areas to public recreational uses. Some

means would have to be developed to inform the public of the availability of property, possibly through signs or listings in publications, under certain conditions. The development of "hunter quota" procedures for recreational purposes—allowing only a designated number of people to use an area for a certain period—would undoubtedly be a prerequisite in many regions. The Department of Agriculture would want assurance that farmers actually open their properties to the public under mutually acceptable procedures when the incentives are paid.

All of these details point up the need for a local administration for the program. They are reasons why we suggest that the Department be authorized to cooperate with State governmental wildlife agencies for administrative services.

As we envision it, representatives of State wildlife agencies could confer with county ASC committees to decide which farmers were able to provide desirable public hunting, fishing, and/or recreational opportunities. These same groups then could determine what would constitute fair incentive payments in accord with broad USDA guidelines. They could make the necessary contacts. The State wildlife agencies then would develop plans for policing public use and checking on the terms of agreement on those lands which were placed in the program.

Mr. Chairman, we believe such a program has merit. Both USDA people and administrators of State wildlife agencies are displaying interest. Representing a significant segment of the citizens who would utilize these resources, we and other conservation groups are vitally interested. We hope the committee can give favorable consideration to these concepts as work progresses on H.R. 7097.

Thank you for the opportunity of presenting this proposal and making these comments.

(The resolution follows:)

NATIONAL WILDLIFE FEDERATION, 29TH ANNUAL CONVENTION, WASHINGTON, D.C.,
MARCH 5-7, 1965

RESOLUTION NO. 18: IMPROVED CROPS IN DIVERTED ACRES

Whereas fertile soils produce crops, including wildlife, which are essential to the well-being of the American people; and

Whereas millions of acres of agricultural land are being retired from production annually under the Federal feed grain program; and

Whereas in many areas the land retired from agricultural production under this program lacks ground cover of the quality needed to enrich the soil and protect it from erosion; and

Whereas improved ground cover on diverted acres would serve a dual purpose by enriching and protecting the soil while, at the same time, improving habitat for pheasants, rabbits, Hungarian partridges, quail, and other species of wildlife; and

Whereas good quality nesting cover is the primary need of pheasants in the intensively farmed regions of the Midwest; and

Whereas a steady decline in acreages devoted to small grains and other grassy types of cover has resulted in reduced pheasant hatching success and fewer numbers of pheasants; and

Whereas legumes highly attractive to wildlife also provide excellent perennial ground cover for enriching and protecting the soil: Now, therefore be it

Resolved, That the National Wildlife Federation, in annual convention assembled March 7, 1965, in Washington, D.C., hereby registers its firm convictions in these principles:

1. That a voluntary land retirement program based upon 2- to 4-year contracts would provide the greatest benefits to both agriculture and wildlife, and the taxpaying public, in terms of investment at no greater costs; and

2. That the U.S. Department of Agriculture and the State ASC committees be authorized and directed to set out regulations, after consultation with State wildlife authorities, which would require: A. seeding of small grains, legumes, or grasses early enough in the spring and of such quantity as to be of cover value to nesting wildlife; B. permit control of noxious weeds when the need occurs; and C. clipping of retired acres be permitted only after the time when broods of young wildlife are of a sufficient age to leave their nests and survive.

Mr. POAGE. Thank you.

Mr. KIMBALL. Mr. Chairman, I was interested in the colloquy which has gone on this morning and again this afternoon. First, between Mr. Callan and Mr. Johnson of the Farmers Union, commenting on recreational uses, and then the recent exchange between members of the committee and the others who have testified, stating that recreation is a problem which exists, primarily, around the urban population centers and really does not extend much beyond. I have heard 6 miles mentioned. I would like to quarrel a little bit with that statement.

Mr. POAGE. Go right ahead.

Mr. KIMBALL. Mr. Poage, I happen to be—I happen to have been director of the fish and game department in the State of Colorado for about 10 years. And during our hunting season there, there were more Texans in Colorado than we had Coloradans. They were searching for quality outdoor recreation opportunities. And so it is my feeling that not matter where you place this recreation opportunity that it is a quality experience. You are going to find plenty of people regardless of where it is who are going to take advantage of it.

South Dakota was mentioned. I happen to know that so far as pheasant is concerned, unless you know a farmer or a landowner and have made arrangements to hunt pheasant there you just do not hunt pheasant in South Dakota. Because again, this is a quality outdoor experience of value. And the people from all over the country, including the citizens of South Dakota, travel some distance to participate in that type of recreation.

So in the light of our ever-increasing population and the extreme demand of the people toward quality recreation experience and increased leisure time that provide for the time to do this, I do not think that there is any question but we provide this and that we will have plenty of people who are going to use it. And since two-thirds of the land in our country is privately owned, some type of arrangement with the private landowner is essential if we are going to meet this demand.

There are other programs, such as the land and water conservation fund program which provides Federal aid to both Federal agencies, resource agencies as well as to the fish in developing a comprehensive outdoor recreation program to meet the needs of the people. In order for the State to participate in this program it has to develop a comprehensive program for the State which would include the zoning of green belts around urban areas, parks and playgrounds in the cities, hunting and fishing areas in the rural parts of the State in order to be eligible for the Federal aid under this program.

So this program problem is acquiring land in addition to urban areas to be handled. What I am proposing here involves the farmer who is interested in farming and maintaining his farm in its present con-

dition. And if he participates in this, withdrawing certain crops from production as is proposed by the agriculture program, he can obtain I think considerable public support by putting this to use to a recreational use of the people. And if he does this he is entitled to some incentive payment to help pay for the problems that are caused. And if we can do it in this manner we can help provide the recreational opportunities for more people.

Mr. POAGE. Thank you very much, Mr. Kimball. I have heard the view expressed that it is desirable to try to work out a program that will induce individual landowners to make their lands available for public use. I have heard the Department of Agriculture say that people would want to pay for that, that is, people who are not defined as farmers. It includes everybody else. Why should not that the cost be carried by the Interior Department or some other agency of Government? Frankly, I do not like to load all of the costs of all of these programs onto the Department of Agriculture.

What is your thought about some other agency of the Government carrying these additional costs? I do not mean the cost of retiring the land, but when it comes to the extra costs, to get the public interest on the land, agriculture does not have to pay for that.

Mr. KIMBALL. Well, of course, as we see it from the outside, regardless of whether the Department of Agriculture or the Department of Interior does it, this would be a cost which would be borne in essentially, I suppose, in essence by the taxpayers, eventually.

Mr. POAGE. That is correct.

Mr. KIMBALL. If there was some way that we could make the users themselves pay for this and make it work this would probably be the best way, because they are the ones who are deriving the benefit. And any time that we can determine that and require those who directly benefit to pay for this, that is the most desirable way, but we have explored this in previous programs in agriculture, and for various reasons—it would probably take too much time to describe all of them this afternoon—this really has not worked out.

Mr. POAGE. I do not think that it does, either. Frankly, I think that we have gone too far with all of the charges that the Government imposes on so many of these people who use public parks, lakes, and so forth.

Mr. KIMBALL. But the main point is that I would hope the committee could consider is the fact that here you are proposing a program which we believe is necessary to solve our surplus commodity problem by taking lands out of production. And it would be much more acceptable, in our view, to the general public to be able to put that land to some use which would be recognized by the public as a benefit, rather than just to leave it idle. And even to the average layman the conducting of conservation practices on there does not mean much to him either, from the standpoint of his view, but if they could be used in a way where he could benefit, then I think that you would see a different attitude on his part. Then I do not think that he will quarrel with the fact that the landowner would be entitled to some remuneration for the nuisance and the problems that would be involved in administering the program. Just where it should be paid for, we would not quarrel with, whether the Department of Interior or the Department

of Agriculture should pay for it. The idea of putting it to recreational or public use we think is desirable.

Mr. POAGE. I do, too.

Mr. KIMBALL. We would hope that the committee would explore ways and means to make it possible to do that.

Mr. POAGE. To consider the practicalities of it, it would be of more use in this way.

Now what would you think the Government ought to pay for letting anybody go on these lands?

Mr. KIMBALL. This is why I suggested it must be administered locally after conference with the ASC committee and with the game people in the State, because as you say, there would be areas where there would be very little public recreational value. In that case, why you would not pay hardly anything. But let us take New York; for example, the State conservation department there has already embarked on a similar type of program where they have tried to work out with the landowner, of course limiting the number of people who would use the land. This is one of the big bugaboos of the farmer close to a big urban area. He figures that if he opens up his land he will have a thousand people hunting on his 60 acres, and he could not put up with that. The first thing that had to be done there would be to limit the use of that land made up of woods as would be agreeable to the landowner. You might set it at 2 carloads or 1 carload or 10 people or whatever it might be.

The next is to make them act like true guests on the place. This involves a little policing and enforcement of already existing law on vandalism, et cetera.

This was furnished by the State conservation office. But by bringing these groups together and providing this type of service, they were able and are able and are now operating large tracts of private lands which are open to public use. In this instance there has been some incentive payments, but I think that this has been done mainly by the people who could participate, rather than as an incentive program payment by the government of the State.

Mr. POAGE. But I think that we need something in the way of practicality—what do we have to put in here in the way of protection. I assume for instance that you would have to have some public agency that would issue the permit to go in, to enter this land, rather than to leave it up to the individual himself, and to limit the number, rather than to call upon the individual to do so.

Mr. KIMBALL. Let me tell you how New York does it, as I understand it. They put up a sign. They have the number down there on the corner of the sign which represents the number of people who are permitted on the land. Say it is 10 people who are permitted on this area. If there are 10, that is passed up. Periodically, an officer comes along to make sure that it is enforced. This has worked out—this has been worked out beforehand with the landowner. So he sets that number himself. It is posted. Then the authorities see to it that it is enforced. It seems to be working out very well, but it would have to be done locally and this would vary from New York State to Kansas and to the Southwest, from areas where the recreational values are extremely high to other areas where they have very little to offer. And this would be a matter that the local committee would just have to

work out. The big problem will be one of financing. We leave that to the good judgment of your committee to work out.

Mr. POAGE. Mr. Greigg?

Mr. GREIGG. Your statement at the bottom of page 2 contains some things that I want to comment on very briefly. You make the statement that "Perhaps I should say initially that we believe that most American taxpayers, including many farmers, find something distasteful in offering cash to keep land idle even though they may fully appreciate the economics involved."

I think there's something to be said for the American people about the tremendous abundance that we presently have and that we enjoy and that we are really blessed in having, but I am not convinced that we will always enjoy that abundance with the expansion of population and the greater demand of the population as the result of commitments to people across the world. I am just wondering about having to put some particular land to a particular use in order to justify having diverted the land. I agree wholeheartedly with the concept that you are talking about in conservation and recreation and what have you, but along the same line I do feel that many of these areas where we have idle ground it is really a great investment in the future, and I just wonder how far we can go in terms of spending money to provide the kinds of recreation that are desirable.

Mr. KIMBALL. I might give you some idea as to what the Government itself thinks about the expenditure of money to provide recreation. The 88th Congress enacted the Land and Water Conservation Act. This provides the expenditure at the Federal level of some \$170 million annually in an attempt to provide assistance to States as well as the Federal Government agencies involved in providing for the Nation's recreation needs.

Back in the 37th Congress, they enacted the Robinson Act which is the excise tax on ammunition, et cetera, and the Dingell Act which is another excise tax on fishing equipment of 11 percent which provided Federal aid to the States for the habitat development program for fish and wildlife. And this amounts to some \$22 million a year plus.

So I think in government, both at the Federal and State level, there is recognition for the expenditure of public funds to meet the recreational needs. This does not include the millions that are spent for national park and monuments and so forth. And even to provide for the wilderness areas in our national forests, et cetera.

So there is recognition that there is a vested need to meet these facts.

So far as agriculture is concerned, I would hope that I am not misunderstood in connection with this testimony. I think that American agriculture is the greatest success story that we have to show the world. Two-thirds of our people on this earth are starving to death now. We are the only country that I know of that has to worry about producing agricultural surpluses. And I am quite sure that in the future just how far it is probably available the time will come when we will need all of these acres, and all we can do with them is to feed our people. Certainly, we would want to do nothing that would detract from using this land and our techniques and technology to make this production possible whenever it does become necessary.

All I am saying is that in the interim here, is that it is more tasteful, particularly to the urban area resident which now form about 70 percent of our total population, when they talk about land which is idle, to be able to say that it is being put to some public use, even though it may even cost a little additional to open it up so that people can use it. This is in essence what I am trying to say.

Mr. POAGE. Are there any further questions? If not we are very much obliged to you, Mr. Kimball.

The next witness will be Mr. Robert T. Dennis.

**STATEMENT OF ROBERT T. DENNIS, ASSISTANT CONSERVATION
DIRECTOR, IZAAK WALTON LEAGUE OF AMERICA**

Mr. DENNIS. Mr. Chairman and members of the subcommittee, I am Robert T. Dennis, assistant conservation director of the Izaak Walton League of America. The league is a nationwide organization of citizens dedicated to the wise use and management of the Nation's natural resources. In 1954, the league released its Walton soil bank plan, the basic principle of which were embodied in the conservation reserve established by Public Law 84-450. We therefore especially appreciate the opportunity to comment briefly today on title V of H.R. 7097.

Mr. Chairman, we support proposed amendments to the Soil Bank Act which would effectively broaden the purposes of the conservation reserve. We believe that this will both provide increased incentive to landowners to participate in the program, and build public support through assurance of broader program benefits.

My prepared statements follows pretty well the statement of Mr. Kimball, the witness ahead of me, and I would just like to file it for the record.

Mr. POAGE. Without objection, it will be made a part of the record.

Mr. DENNIS. I would also like to file with the committee for the record a letter from the Sport Fishing Institute, associating itself with the testimony of the Izaak Walton League and with the Wildlife Federation.

Mr. POAGE. Without objection, that may be done.

Mr. DENNIS. And then I would like to comment very briefly aside from my written statement on this.

For some reason there has been some concern about the modern trend whereby landowners derive income by leasing hunting and fishing privileges on an annual basis. We know that in some areas this has resulted in both underharvest of fish and wildlife resources, and reduced hunting and fishing opportunities for the general public. That is a very simple statement of a complex problem, but I do not want to go into it at great length. But, at any rate, we have favored and sought to develop institutional arrangements which might be applied to this problem, such that the State would act as sort of a go-between between the landowner and the sportsman. And we tend to feel that the idea of providing incentive to the landowners to open diverted croplands for public recreation use would provide an institutional arrangement as well, perhaps, as providing further incentive to the landowner to divert some of his cropland.

When I listened to the questions asked of Mr. Kimball there are some that I would like to make a couple of comments on.

Mr. POAGE. Go ahead.

Mr. DENNIS. As Mr. Kimball pointed out, most States now, because of the Land and Conservation Act, are embarked on a comprehensive statewide recreational plans, and we would feel that the State recreational planning agency could work with the Department of Agriculture to determine which lands would be most suitable for receiving a special incentive payment if they were diverted from crop use.

Second, I have lived all of my life in the State of Virginia. And I know that whenever I want to go hunting or fishing in a national forest in the State of Virginia I have to purchase a special stamp in order to do so. Now this is a once-a-year purchase. It does not—now this does not prevent the opportunity of my going hunting and fishing in the national forests. But this is a payment to the State and it is used for recreation development purposes for fish and wildlife development purposes in the national forests. It would just seem to me that it might be possible for the Department of Agriculture, in consultation with the State conservation agencies, to come up with some kind of a system whereby, let us say, an urban recreation system could purchase through the State some kind of a special permit which would allow the citizen to use private land under this diversion program. And the income from this could be used for a couple of purposes. One, to provide the incentive to the landowner to use his land for these purposes. And also to allow the management of these lands for particular recreation activities.

It just seems to me that it ought to be possible in this way to remove some of the financial burden from the Department of Agriculture and still provide the incentive to the landowner in the way of an increased cash payment. It would come perhaps to the State. I do not know. But I think there must be some possibility which would be worth exploring here.

Mr. POAGE. I think so, too.

Mr. DENNIS. I believe that would finish my statement, Mr. Chairman. I certainly appreciate the chance to appear today on behalf of the league.

(The documents referred to follow:)

STATEMENT OF ROBERT T. DENNIS, OF THE IZAAK WALTON LEAGUE OF AMERICA

I am Robert T. Dennis, assistant conservation director of the Izaak Walton League of America. The league is a nationwide organization of citizens dedicated to the wise use and management of the Nation's natural resources. In 1954, the league released its Walton soil bank plan, the basic principles of which were embodied in the conservation reserve established by Public Law 84-540. We, therefore, especially appreciate the opportunity to comment briefly today on title V of H.R. 7097.

Mr. Chairman, we support proposed amendments to the Soil Bank Act which would effectively broaden the purposes of the conservation reserve. We believe that this will both provide increased incentive to landowners to participate in the program, and build public support through assurance of broader program benefits.

There is no question that private farmland can and does make opportunity available to the public to enjoy a wide range of outdoor recreation activities. Indeed, under existing agricultural programs, landowners are encouraged to turn lands from normal farm use into intensively developed cash-producing recreation sites for public enjoyment. But not every farmer has the desire or the

know-how to go into the outdoor recreation business on a large-scale basis; yet his lands may hold great outdoor potential—particularly for hunting and fishing.

The league is quite concerned over a modern trend whereby landowners derive income by leasing hunting and fishing privilege on an annual basis. We know that in some areas this practice has resulted in both underharvest of fish and wildlife resources, and reduced hunting and fishing opportunity for the general public.

I should like at this point to quote from the official conservation policies of the Izaak Walton League:

“While, historically, the league has urged landowners to make their properties available without charge for public recreational use, it recognizes the right, and in some cases the need, of the landowner to seek financial return for public use of his property. Such return should generally be handled through the normal producer-consumer relationships of private enterprise. However, because fish and wildlife are public assets rather than private, the league does not support application of fee or similar arrangements to fishing and hunting on private farmland or forest. Where economic provisions are necessary to assure that private lands are publicly available for fishing and hunting, the league does support and may encourage formal institutional arrangements, such as long-term leases or easements between the State and the landowner.”

This philosophy, plus the hope that more diverted cropland can be made available for a wide range of public recreational use, leads to the suggestion that title V of H.R. 7097 might perhaps be broadened to include special incentive to landowners to open such lands to the general public. We believe that selection of lands for this program, and program administration, could be achieved through cooperation with State conservation agencies.

We believe that the effectiveness of such Federal-State cooperation has been demonstrated by USDA revision of feed grain program regulations for Minnesota to benefit pheasant production, in accordance with recommendations of the State conservation department.

Mr. Chairman, the Izaak Walton League thanks you for the opportunity to present its views.

SPORT FISHING INSTITUTE,
Washington, D.C., May 11, 1965.

Re H.R. 7097, Food and Agriculture Act of 1965.

HON. HAROLD D. COOLEY,
Chairman, House Committee on Agriculture,
House Office Building, Washington, D.C.

DEAR CONGRESSMAN COOLEY: The Sport Fishing Institute wishes to associate itself with testimony presented by the National Wildlife Federation and the Izaak Walton League of America in support of H.R. 7097. We regard any incentives that the Department of Agriculture can give to farmers to encourage them to utilize surplus and unused lands for public outdoor recreation purposes, including sport fishing, to be commendable as in the broad public interest.

There are nearly 2 million farm ponds, currently comprising some 1½ million surface acres of water, with the majority of these containing fishlife. These are presently capable of supporting 50 angler-days of fishing per acre—collectively, a total of 75 million recreation days—although often not managed as efficiently as they could be. If incentives should cause improved management the recreational enjoyment and use from such a sport fishery resource could easily be doubled. At the present time it is estimated that 20 percent of anglers do at least a small part of their fishing in farm ponds. With improved management and better fishing, their recreational significance might be increased very substantially.

Mr. Chairman, please include this brief letter of support in the written record of testimony presented in behalf of H.R. 7097.

Sincerely,

PHILIP A. DOUGLAS,
Executive Secretary.

Mr. POAGE. Thank you.

Mr. Teague?

Mr. TEAGUE of California. May I go off the record?

Mr. POAGE. Yes.

(Discussion off the record.)

Mr. POAGE. On the record. If there are no further questions, we are very much obliged to you.

Mr. DENNIS. Thank you.

Mr. POAGE. Mr. Heimbürger?

Mr. HEIMBURGER. I would like to ask a question which I believe relates to the answers made by Mr. Kimball. I gathered the impression from Mr. Kimball's testimony that his organization did not object to a fee system or to a user payment system or State authority development and the opening to the public of these wildlife areas, specifically the hunting areas.

Then I hear from Mr. Dennis that his point of view coincides with that of Mr. Kimball.

I would like to inquire of Mr. Kimball whether I misunderstood him—whether your organization, Mr. Kimball, does believe that there should not be direct user payment to the owner or the occupant of the land at the time of hunting?

Mr. KIMBALL. I would be less than candid if I did not state that there are opposing viewpoints among the sportsmen on this issue. There are some who feel that particularly in the West there should be no payment for the use of the lands because of this percentage that the private lands that are now open to them for free, and they see this as another means of having to pay more for things that they have already been obtaining free of charge. Naturally, they would be opposed to it.

As opposed to this approach, there are a number of groups in the more populated areas in the Midwest and in the East who are just merely looking for the opportunity to recreate because there just is none, and I do not think that they should quarrel at all with providing a reasonable fee, either to use Government land or to use private land, or to pay to anybody if they have the opportunity to have a quality outdoor experience.

Mr. HEIMBURGER. This would again depend on the local situation—the availability of the quality recreational area?

Mr. KIMBALL. That is right.

Mr. HEIMBURGER. And the pressure on those recreational resources. I would certainly, let me say, agree with Mr. Dennis that if an arrangement can be made through the State somehow to handle this, it seems to me to begin to answer a lot of the problems which can arise when a private landowner begins to operate under a fee system of some kind. I think that this would lead to a good many legal difficulties of one kind or another which could better be handled by some kind of a State organization.

Mr. KIMBALL. Could I comment on that?

Mr. HEIMBURGER. Yes.

Mr. KIMBALL. I think that it would be well to involve the Agriculture Department ASC committees in this as well as the State conservation programs, because they deal with the farmer-landowner. They know his problems. And I would suspect that they would listen to this person where they would not, let us say, to a representative of the State conservation agency.

So it would seem to me that there would have to be a marriage between the two groups somewhere which perhaps both of them working together with some type of maybe cooperative financing, if this is

what it takes, but I would certainly want the program to involve the Agriculture Department, the committees they have set up, to work directly with the landowner.

Mr. HEIMBURGER. I agree with you there. There would need to be a high degree of cooperation. I certainly would welcome an opportunity to discuss this further at some time with you and Mr. Dennis and see if we can work out something.

Mr. DENNIS. I would just like to make one additional comment. First of all I certainly agree with Mr. Kimball that the Department of Agriculture and all of the various committees and whatnot should be involved in this.

I going back to your question about the payment of fees, the statement that I made was a rather simple one in a complex area, but basically I think the league members would have no objection whatsoever to paying a direct fee for the use of a great number of recreation facilities, but because the fish and wildlife are under our public assets, if there is an objection on the part of our members, as there is to having to go out to a farm every time they go and pay \$100 or \$5 or what ever it might be to hunt, we feel that this is tending to force the little guy out of the picture. This is something that is of concern. But on the other hand the policy that I have included in the written remarks points out that we certainly do sympathize with the landowner. We see many times that he has a need to receive financial returns. Certainly he always has the right when private individuals do use these lands for one reason or another to have something to say about it, and the question might be resolved as to how to handle that, but I think philosophically there is no difficulty here.

Mr. POAGE. Thank you, Mr. Dennis.

Our next witness is Mr. Ken Kendrick.

We will be glad to hear from you.

STATEMENT OF KEN KENDRICK, NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. KENDRICK. Mr. Chairman and members of the committee, I have a very short statement. I realize that there is some risk here to advise you that as a result of some of the conservation land in Sherman County, Tex., that we do now have some pheasants in the area. And once or twice a year we have a season of a few days.

Mr. POAGE. I am glad to know that. That is very good, sir.

Mr. KENDRICK. This statement is relatively short and general.

The American farmer has the ability to produce more food and fiber than we can market both at home and abroad. The efficiency of the American farmer has increased at twice the rate of industry during the past 15 years. Through improved farming practices and use of fertilizer yields per acre have continued to increase year by year. After allowing for population increases, the U.S. Department of Agriculture has recommended that—has estimated that we will need several million fewer acres in 1980 to supply all our market needs both at home and abroad. Hence, there is a need for a program that will supplement our commodity programs—to retire a lot of cropland acres for a period of years—make our commodity programs work better—avoid further reductions in acreage allotments as yields in-

crease—and substantially reduce the acreage required to be diverted under the annual grain programs. The cropland adjustment program is designed to accomplish these objectives.

In addition, the cropland adjustment program would make it easier for farm people engaged in part-time farming to take full-time jobs in industry—and still live on the farm.

As you know, Mr. Chairman, we now have something like 1 million farm families in this country who earn about \$4,000 income off the farm each year. It would seem to me, of course, I am always for the farmer, because there is no finer place to raise a family—it would seem to me, I would think, that a good many of these people where the man is working pretty well full time in town and the wife is doing a little work on the 10- or 15-acre wheat or corn allotment or whatever it is, that this program would give these people an opportunity, if they chose it—or if they wanted it—to earn some income over this, and it may be that the wife would be able to take better care of the family and not have to do so much work on the farm. This is the only question I have in mind.

Farmers reaching retirement age would be provided an opportunity to participate in the cropland adjustment program—receive income benefits—retire and continue living in rural communities.

Under this program, opportunity will be provided to develop wildlife and recreational activities which will benefit all Americans.

I think this is tremendously important.

The stated goal of the cropland adjustment program is to retire about 8 million acres each year for a period of 5 years. However, it is our opinion, that the program as now written would have little appeal to the average commercial wheat and feed grain producer to participate in the program.

There is one possible exception. It would be those people the commercial wheat and feed grain producers who would like to retire their entire farms.

It is our understanding that a farmer would have to release 100 percent of at least one allotment crop in order to be eligible to participate in the program. If I may say this, this would be on the part of the farmer who has only a few acres of wheat and feed grains.

For example: A farmer has a 400-acre wheat allotment and a 200-acre feed grain base. To be eligible to participate in the cropland adjustment program, he would be required to give to the local ASC office a record of all allotment crops. He could place the 200-acre feed grain base or the 400-acre wheat allotment in the cropland adjustment program, but cannot retire additional acres unless all allotment crops are submitted.

Since I wrote this, I understand recently from some Department people down here that this is not quite correct, this last sentence, that he could place, for example, his 200-acre feed grain base in another plus the wheat but still would be eligible to place additional acreage, perhaps oats, rye, and flax, but not any hay land or any summer fallow land.

The National Association of Wheat Growers believes this inflexibility in the program would limit participation and make it difficult to achieve the stated objective of the program, to retire 40 million acres in a 5-year period. We believe it will be easier to get four farmers to

retire 50 percent or more of their allotted crops than to get two farmers to retire 100 percent of their allotted crops. We believe too this can be accomplished without additional per-acre costs of the program.

I further believe that this would be even more desirable, so far as the program is concerned. And it seems to me, to get the interest of the people in this program, the more that we have, that it would not cost more money, but it would cost less money. The National Association of Wheat Growers recommends that the committee give consideration to amending title V of the bill, so that farmers who are willing to place 50 to 100 percent of, at least, one allotment crop in the program would be eligible to participate. I think that this would make for greater incentive to the commercial operators in the wheat and feed grain areas.

May I give a concrete example of how this added flexibility in the program would make the program more acceptable to farmers? Most commercial farmers have several fields of varying sizes. A farmer may have a field of say 150 acres that is located several miles from most of his other land. This 150 acres might equal 70 percent of his feed grain base. Hence, he would like to retire this field and this portion of his allotment.

The present requirement of 100 percent of, at least, one allotment crop precludes his participation in the program. If the 50- to 100-percent requirement of allotted crops is permitted, we believe this would provide the flexibility needed in the program to get widespread participation.

The National Association of Wheat Growers is in full accord with the stated objectives of the program. We believe that there will be an ever-increasing need to retire allotment crops for a number of years, and feel the cropland adjustment program will make our commodity programs work better.

We request the committee to give consideration to this suggestion as a method to improve the program.

I thank you.

Mr. POAGE. Thank you, Mr. Kendrick. I am glad to hear how you feel about these matters. When you talk about retiring land or using it for conservation purposes, obviously, you will take a great deal more land out of cultivation if you simply retire it, but you achieve a great many other things if you improve the quality of the land.

Do you think that we ought to insist on real conservation practices on this land?

Mr. KENDRICK. I think it is clearly a matter of economics.

Mr. POAGE. I know it is, but we have to face it.

Mr. KENDRICK. I would like to say that in the wheat country, farmers—primarily in the summer fallow wheat country, that I am fairly familiar with, in the old conservation reserve, of course, some farmers put this into grass. And in 5 years it got to be a pretty good stand of grass. But then others who were in other parts put it into some sort of cover that would reseed itself annually. In seasons when it rained this would get up 8 feet tall. They would never cut it and then it would fall in a mess in the wintertime. Then it would reseed itself each spring. I know that some of this came out in 5 years. It was not all put in for 10 years. But this soil is really rich with all of this going back into it. It seems to me that this is just one factor itself in the

dryland summer fallow area which puts a great deal back into the soil with a minimum amount of expense. And this would be true, I think, in any part of the summer fallow areas, in the wheat and feed grain country.

Mr. POAGE. Yes.

Mr. KENDRICK. I think, my personal opinion is that we are going to have to get as many acres out to make the money do as well as we can.

Mr. POAGE. Would you suggest that it would probably be adequate to simply expand the retirement provisions in feed grains and wheat legislation so that you could take acreage out, possibly, a larger percentage of the acres, maybe up to 100 percent, and take them out for a longer period of years? Presently the contract is only for 1 year. Would you feel that that would be an adequate program if we would simply enlarge our existing diversion?

Mr. KENDRICK. The diversion payments?

Mr. POAGE. In our wheat and feed grain bill?

Mr. KENDRICK. I believe that the cropland adjustment program is attempting to attack two phases of this problem.

One, that you are directing to me, would be primarily commercial where we have commercial wheat and feed grain producers. I think it could be handled that way. But if it were handled that way it would not give any opportunity to attack the other problem which is dealing, as I see it, with the part-time farm people who live on the land and want to stay on the farm. It is to give them an opportunity, this type of legislation, of doing this, to give them some opportunity as has been recommended by this proposal, to retire over a period of years their entire operation and remain on the land and continue to raise a family on the land and have some incentive and income to do this. I think this would be in my opinion an advantage over just merely continuing the divergent program.

Mr. POAGE. Do you not feel that they would like to participate in this program? There are others who feel that they do not want to participate in this program. We have had testimony here from people who do not want to extend such a program.

Mr. KENDRICK. As I have so stated here, again, in the commercial wheat and feed grain areas I do not think that this will get too great a participation unless some relaxation is made along the lines that is suggested. It happens that I had occasion last night to visit a friend of mine in Texas who is a member of the local ASC committee, a wheat farmer. I asked him this question, trying to find out what my farmers think. He said:

Well, in the first analysis, we had a number of farmers, when it was first announced, who come by the county office, and they talked about the cropland adjustment program, and as soon as I told them that in order to be eligible to participate they would have to surrender 100 percent of, at least, one allotment they lost interest in participating.

Mr. POAGE. Some have put it into grass. But I come back to the proposition, is there any advantage to setting it up in the soil bank, or would we be able to achieve substantially all that we can achieve by this section by simply enlarging the payments and length of contracts in the wheat and feed grains bill?

Mr. KENDRICK. I think the way to do it is——

Mr. POAGE. I do not want to be a stockholder in a soil bank program. I do not like the soil bank. I do not think that all of the washing in the world will wash away the name. They will all say that it is just an extension of the old soil bank program under a new name. I think that it is.

Mr. KENDRICK. You may have a point there, Mr. Chairman. Of course, I think that it is a matter of the price offered for the additional diversion. If you pay the price you will get the diversion.

Mr. POAGE. One more question. Under this program they contemplate paying, as I understand it, \$180 an acre over a 10-year period throughout the United States. The average price of farmland in the United States is \$134, including the improvements. I would like to see the farmers get something. I would like to increase the farmer's income. But apparently this program is going to pay out more to keep it idle over a 10-year period than the land is worth.

Mr. KENDRICK. I think again, Mr. Chairman, if we did it by the present method over a 10-year period it would probably cost that much, would it not?

Mr. POAGE. It might do it, but it certainly would not offer the same opportunity for the lawyers and the engineers and the architects to buy farms at taxpayers' expense.

Mr. KENDRICK. This is the point that I do not like, too. I would like to say for the record to the gentleman from Kansas that a farm right close to Kansas, as close as you can get, being in Texas. The problem they mention is a real problem and one that I really do not know the answer to. That is, wherein this type of proposal there is the tendency for those who own the land and who want to live on the land to place it in a program of this kind. Most farmers that I know own some land and rent two or three other farms. There is a tendency for the landowner to put this land into the cropland adjustment program. In many instances the person who has been renting the land will have a less economic unit then. I recognize that this is a problem and a serious problem.

Mr. POAGE. Mr. Greigg?

Mr. GREIGG. I just want to ask regarding your last paragraph on the first page of your statement, what is your view as to the future of that farmer upon retirement?

Mr. KENDRICK. With reference to the retirement age?

Mr. GREIGG. Yes.

Mr. KENDRICK. Well, I was in hopes that many of these people—it has been my experience in the farm community in which I have lived for the past 40 years—that many, many of the older people when retiring, maybe, will their land to their children, turn it over to them. They sit in the house that they live in. These people would have a tendency to stay on the farm. Of course, I do not know, but I am sure that at the end of the 10-year contract period or 5 years, if there was a need for additional land it would go to that family or some member of that family.

Mr. GREIGG. If that retired farmer lives on the farm in that little community and there is no activity on that farm, what does the future hold for that rural community?

Mr. KENDRICK. I recognize that this certainly is true. He will continue to buy groceries, he will continue to buy clothes, but he will not

continue to buy machinery and gasoline at the same rate as he did before. This, of course, has the tendency to take capital out of the community. We recognize that this is a problem. Certainly we are in sympathy with that portion of this that limits this to some point where it might have a real adverse effect on that community.

Mr. GREIGG. Thank you

Mr. POAGE. Thank you. We are very much obliged to you, Mr. Kendrick.

Without objection, the Chair wants to insert five telegrams into the record addressed to Mr. Cooley and to myself.

(The documents referred to follow:)

RALEIGH, N.C., May 13, 1965.

Hon. HAROLD D. COOLEY,
Chairman, House Agriculture Committee,
House Office Building, Washington D.C.:

Representing approximately 15,000 cotton farmers of the Carolinas who are members of this association we are registering a protest against a soil bank program for cotton as proposed in H.R. 7097.

G. D. ARNDT,
General Manager, Carolinas Cotton Growers Association.

VICTORIA, TEX., May 13, 1965.

Hon. HAROLD COOLEY,
Chairman, House Agriculture Committee,
House Office Building, Washington, D.C.:

We wish to register and have placed in the records a vigorous protest against title 5 of H.R. 7097. Cotton must be excluded.

ROBERT W. HEARD,
South Texas Cotton Improvement Association, Inc.

TAYLOR, TEX., May 13, 1965.

Reference H.R. 7079.

Hon. W. R. POAGE,
Vice Chairman, House Agriculture Committee, House Office Building, Wash-
ington, D.C.:

Our organization protests most vigorously any "cropland adjustment" legislation.

Soil bank programs have created nothing but problems for a farmer. City farmers, city investors have bought land and let our Government pay for it through these programs. Soil bank has destroyed economy in many rural areas. Production costs and property loss have been increased from hazards of weeds, grasses, insects, varmints, fires and many other objectional features. Soil and water conservation loss is high on this land. Only landowners benefit as generally producers have been forced off this land. Our schools, churches, merchants as well as labor, have suffered. Soil bank land gives impression of waste and the appearance of an abandoned countryside. Idle eroded, infested, wasted but valuable land produces no new income, taxes, prosperity, employment, encouragement and to the basic farmer a matter of record.

OLD COTTON BELT ASSOCIATION,
HENRY PUMPHREY, *President.*

HETTINGER, N. DAK., May 12, 1965.

Congressman W. R. POAGE,
Chairman, Subcommittee on Conservation and Credit,
Washington, D.C.:

We the undersigned are opposed to the bill H.R. 7097 as we feel any type of bill like this is harmful to our community and to our local business places. We understand this bill is about the same as the old soil bank law which in itself has lost our business places a lot of money.

K. L. CHRISTENSON,
Implement Dealer.
(And 11 others).

DICKINSON, N. DAK., May 12, 1965.

Congressman W. R. POAGE,
 Chairman, House Subcommittee on Conservation and Credit,
 House Office Building, Washington, D.C.:

Strongly urge your committee reject title 5 of H.R. 7097. Further expansion of soil bank program due to present low farm income and high cost of business operation. Our economy cannot afford any more depletion of farm income.

LETVIN FARM EQUIPMENT Co.,
 GEORGE LETVIN, President.

(The following statements and letters were also submitted to the subcommittee:)

STATEMENT BY DON F. MAGDANZ, EXECUTIVE SECRETARY-TREASURER, AND B. H. JONES, ASSOCIATE SECRETARY-TREASURER OF THE NATIONAL LIVESTOCK FEEDERS ASSOCIATION

(The National Livestock Feeders Association is a voluntary, nonprofit, non-political trade organization of persons engaged in the business of feeding and finishing livestock for the slaughter market. Membership exists in 23 States, with major concentration in the North-Central States. There are nearly 100 States and local livestock feeders associations affiliated with the national association.)

STATEMENT OF POSITION

The National Livestock Feeders Association has serious reservations about the cropland adjustment provisions contained in title V of H.R. 7097 from three standpoints: (1) Said provisions would work toward greater substitution of Government decision for economic forces in determining land use; (2) the cropland adjustment program is not needed in the case of feed grains; and (3) the adjustment program, as outlined in said title, would be very expensive.

Substitution of Government decision in land use

Association members in their development of official policy have expressed grave concern over "the long-term effects of substituting Government decisions for the soundness of economic forces in determining land use," and have instructed the board of directors "to confer with Government officials on this problem in an effort to minimize the effect of Government activity in overriding the free working of economic forces in determining land use."

One of the important contributors to making American agriculture the envy of the world has been the operational freedom accorded to the basic economic principle of comparative advantage: each crop being raised on the land best adapted for its production. For the long-run health of agriculture and to assure its ability to supply consumers with the quantities of food needed in the future, it is of paramount importance that land most suitable for corn production, let us say, not be converted to a wildlife refuge or a water storage facility.

Department officials in our conversations with them on the cropland adjustment topic have stressed the aggressive effort which would be expended under cropland adjustment authority to take some of the most productive land out of production. In fact, we have been given the impression that this is the primary objective in seeking such authority. On the surface, this appears to be a most logical procedure to follow to alleviate the immediate problem of stored crop surpluses. But we submit to the subcommittee that this can indeed have serious consequences for agriculture and the Nation in the longer run.

Production problems for the most part have continued to plague agriculture, not from the use of the acreages most adapted to the production of a given crop, but rather from the bringing into production vast acreages of land not so well suited. For example, feed grains are now produced on acres diverted from wheat and cotton; large quantities of wheat are now produced in the Corn Belt, etc.

The land which should be diverted from crop production to other alternatives, from the standpoints of economic soundness of land use and the long-run best interest of the Nation's economy, is that land least adapted to crop production.

Economic forces, if allowed to operate, can do the most satisfactory job of land use determination. Such cannot be said of Government decision under a cropland adjustment program. In fact, Government action under such a program is most apt to work counter to economic forces in this respect. Diversion programs similar to the current program in effect for feed grains are much preferable to

the cropland adjustment provisions of title V, in connection with the determination of land use, and are sufficient to accomplish the desired results in feed grain production.

Cropland adjustment not needed in feed grains

Under conditions of greater utilization of feed grains, as evidenced in recent years, the diversion program now in effect and included in the feed grains title (title II) of H.R. 7097 should be sufficient to bring feed grains production in line with utilization. A cropland adjustment program is not justified in view of the substantial reduction in feed grain stocks.

Cropland adjustment is expensive

A cropland adjustment program as outlined in title V cannot help but be expensive, particularly if the move is made to take highly productive acres for a given crop out of production. Marking up greater expense to agriculture will serve only to the further deterioration of agriculture's image as a recipient of Federal funds.

The program can be "expensive" from another standpoint; namely, the economic health of local communities. Placing a limit on the number of acres to be diverted in any given county and making provisions for Federal assistance to rural communities will not sidestep this aspect of the problem. In fact, the program under the provisions as now written can inject the Department of Agriculture into the economic life of rural communities to the extent which can lead to a serious encroachment of Federal authority and unhealthy dependence on the U.S. Treasury.

Guidelines of authority badly needed

We are seriously concerned over the blanket authority given the Secretary under title V. It has been proven time and time again in the past that congressional authority and jurisdiction in given areas are reduced proportionately to that transferred to administrative agencies. In our opinion, the broad power conferred upon the Secretary in this title amounts to the transfer of authority and jurisdiction, rather than to the delegation of authority. Virtually every major decision to be made in connection with cropland adjustment is left up to the discretion of the Secretary as the provisions are now written, including those involving long-term commitments which can obligate the Federal Government beyond any indicated time limit.

TESTIMONY OF DR. SPENCER M. SMITH, JR., SECRETARY, CITIZENS COMMITTEE ON NATURAL RESOURCES

The Citizens Committee on Natural Resources is a national conservation organization with offices in Washington, D.C. Our board of directors consists of some of the Nation's outstanding conservationists with capabilities in almost every area of conservation.

Before addressing ourselves to the specifics of the Food and Agriculture Act of 1965 (H.R. 7097), we wish to indicate our full accord with the basic philosophy of the Department of Agriculture. Agricultural policies in the United States have been fraught with difficulty and complexity for a number of decades. Many have sought to establish themselves as the final arbiter of the innumerable alternatives that have been so much a part of the discussions in regard to such policy. We are aware that no one program can solve all the problems in this area, but we feel the direction in which the Department has been moving is a correct one.

Simply stated, we understand the objectives of the Department to be adequate income for farmers, a maintenance of the basic and established farm unit—the family farm, a transfer of land used to produce surpluses to products and uses that are in high demand, and to conserve the land and water systems throughout the agricultural areas. We have supported the programs of the Soil Conservation Service, Forest Service, and other bureaus that seek to improve the basic land structure of our agricultural operation. We feel, however, that the program for cropland adjustments will provide an overall basis for conservation as well as public enjoyment of large areas of private lands, a portion of which cannot be reached by other specific governmental programs.

It is perhaps an appropriate departure to indicate that the critics of these worthwhile objectives offer no solution either for the lands or for the people who work and reside thereon. To embrace programs that would accelerate or force

people from rural to urban environments will not solve the problem of agriculture, but will undoubtedly add to the problems of our already overburdened urban areas. The transferring of our farm population with an age and labor skill to an area where these attributes would be a burden to the entire economy represents far greater costs than that being proposed by the present program. In addition, it would provide no solution for the basic conservation activities that are indispensable for continued growth and prosperity.

The purpose of title V, "Cropland Adjustment," is not to penalize the farmer for his efficiency and high productivity, but rather to enable him to enhance his own economic well-being, improve the quality of his own land and water and help meet the burgeoning demand for outdoor recreation, which has increased at almost astronomical rates since the close of World War II. We hasten to add that these public recreation activities, properly directed, will not be incompatible with sound conservation management.

Previous programs have tended in this direction under the conservation reserve program, which was a part of the Soil Bank Act. These lands contributed much, not only to the conservation practices, but to the overall public recreation facilities.

My native State of Iowa, which is most representative of family farms, finds farmers turning more and more to private recreation activities. Small water impoundments well stocked with bass, picnic grounds, swimming facilities have added substantially to their incomes. In the neighboring State of Nebraska over 200 farmers have recently utilized their facilities to provide pheasant hunters with board and room as well as guide services. Many of these farmers find that their biggest source of income derives from these activities.

In addition Americans are showing an interest in the farm vacation. This has been a supplementary activity for the European farmer for a good number of years and it has become increasingly popular throughout this country. Many want to give their children the experience of seeing a farm in operation, as well as seek some solace from the neon fright that besets most urban dwellers.

It is our judgment that the proposed amendment in title V (Cropland Adjustment) section 107 of the Soil Bank Act is an appropriate mechanism to aid the farmers in utilizing his land for "* * * practices or uses which will establish, protect, and conserve open spaces, natural beauty, wildlife and recreation resources, and prevent air and water pollution." The purport of this title will allow the Secretary to enter into contracts with the producers to divert the cropland to the uses mentioned above. The cost of transferring the cropland to approved uses would be shared by the producer and the Government for a period covered by the contract which would be not less than 5 years nor more than 10 years.

In addition to aiding individual farmers the Secretary would be authorized to utilize funds appropriated for the general purposes of the carrying out of this act to other Federal agencies, to States and State agencies, and local government agencies wherein there has been an agreement of retirement of cropland for noncrop uses. This agricultural program should have a greater appeal since it is voluntary and the farmer is not receiving payment for lands not in use. The passage of this legislation would make it incumbent upon the national conservation organizations to publicize fully the important contributions that are possible under the provisions of this legislation which would not only enhance conservation but provide needed facilities for recreation.

It is a change that has a much better augury for meeting the problems that lie ahead than the alternatives which suggest a sharp reduction in the number of farms. We were told a decade ago that a reduction of 1 million farms within 10 years would, for all practical purposes, remedy the basic agricultural problem. The results have been less than clairvoyant, for over this past decade 1.2 million farms are no longer in existence. This fact alone has little causal relationship to any improvement in the agricultural situation.

Last year approximately \$25 billion was expended on recreation activities. This is an increase of approximately 500 percent in such expenditures within the last 25 years. One does not have to be statistically minded to compare the growth, which is probably understated due to the difficulty of data collection, with other sectors of our economy. A measure that seeks to change the use of resources from producing goods and services that cannot be marketed and return a living wage to the producers to the production of goods and services that can be marketed at a profitable rate to the producers is a strong economic argument that can be made in behalf of any program. In addition, the capital

base, which in the instant case is the land and water fund, will be refurbished and improved.

We feel the purpose of this legislation is completely appropriate to the problems at hand and offers an excellent basis toward solving the problems of conservation, farm income, and recreation need. We hope the committee will find favor with the legislation and report it to the House at an early date.

STATE OF WISCONSIN,
CONSERVATION DEPARTMENT,
Madison, April 8, 1965.

HON. LYNN E. STALBAUM,
*House of Representatives,
Houses Office Building,
Washington, D.C.*

DEAR MR. STALBAUM: I am enclosing a set of recommendations for future Federal cropland conversion program practices to benefit wildlife and request your support of these recommendations in agricultural programs in the 89th Congress. These recommendations were prepared by representatives of several State and Federal agencies at a meeting in St. Paul on March 24, 1965, and sent to the Honorable Secretary of Agriculture, Orville L. Freeman, under the endorsement of the International Association of Game, Fish, and Conservation Commissioners.

The Wisconsin Conservation Department gives strong support to these recommendations. We have been working closely with various agencies in the past few years to develop a Federal land conversion program which would accomplish the job of reducing surplus crops, conserving the soil, and at the same time providing benefits for wildlife.

In 1964, an interagency report, "Status of Farm Game in Wisconsin," was distributed locally and to Wisconsin Congressmen in Washington. This report described the problem our farm game wildlife are facing under intensive agricultural land use in Wisconsin, and recommended several practices and programs which would alleviate the problem. The recommendations are similar to those enclosed.

Thus, we feel that efforts must be made now to promote a Federal land conversion program compatible to rural landowners and wildlife. Activation of the enclosed recommendations and letter from Mr. Robert Elliot, chairman of the Land Resources Committee of the International Association of Conservation Commissioners, to Secretary Freeman will accomplish our basic objectives.

Respectfully yours,

L. P. VOIGT, *Conservation Director.*

LAND RESOURCES COMMITTEE,
INTERNATIONAL ASSOCIATION OF GAME,
FISH, AND CONSERVATION COMMISSIONERS,
Denver, Colo., March 29, 1965.

HON. ORVILLE L. FREEMAN,
*Secretary of Agriculture, Department of Agriculture,
Washington, D.C.*

DEAR MR. FREEMAN: Meetings have been held in Washington March 9, 1965, and in St. Paul, Minn., March 24, 1965, with representatives of the U.S. Department of Agriculture, Bureau of Sport Fisheries, Fish and Wildlife Service, National Wildlife Federation, International Association of Game, Fish, and Conservation Commissioners, Minnesota and Wisconsin Conservation Departments attending one or both meetings. We have discussed the cropland retirement programs of the U.S. Department of Agriculture quite thoroughly and objectively, we feel. We are not prepared to submit recommendations to you suggesting how wildlife and agricultural practices can be worked together for mutual advantage.

We assure you that the meetings thus far have been conducted in an atmosphere of complete cooperation, and officials from all services of the U.S. Department of Agriculture have been most helpful. Our approach to the subject matter has been keyed to how agricultural practices can be modified to benefit agriculture itself and at the same time to provide benefits to wildlife. We feel the Federal farm programs are "agriculture programs," not "wildlife programs."

The time is opportune for farmers, sportsmen, Federal and State resource

managing agencies to willingly cooperate in developing a land-use program that all can enjoy. We earnestly request that you seriously consider our recommendations, and that you include these provisions in your presentation of the agriculture program to the 89th Congress.

Very truly yours,

ROBERT R. ELLIOTT, *Chairman.*

RECOMMENDATIONS TO THE SECRETARY OF AGRICULTURE OF FARM PROGRAM PRACTICES
TO BENEFIT WILDLIFE

1. Urge that Congress enact legislation which will provide for a cropland retirement and/or diversion program for a minimum of 5 years.

Comment: One-year programs just cannot provide sufficient cover to be of significance to game birds and small mammals.

2. Payments shall be made to farmers who establish and keep herbaceous cover crops suitable for wildlife on the same plot of ground for a maximum of 5 years. These payments shall be in addition to the base payments made for diverted acres, and shall start the second year the herbaceous wildlife cover crop is in. Farmers may select this practice at their option on a yearly basis. All field operations shall be conducted so as to minimize damage to wildlife.

Comment: Designed to encourage farmers to plant legumes primarily and leave them on the same site for wildlife propagation and protection, this practice would provide bonus or incentive payments to the farmer for leaving the crop during the second, third, fourth, and fifth years. For example, if he planted a legume on 10 acres of his diverted acreage under the feed grain program, he would be paid the current rate for the first year, say \$20 an acre. Then if he left the clover and alfalfa in the second year, he would get an additional payment of \$6 an acre, and if he left it the third year he would get his \$6 an acre additional payment, and so on—\$26 an acre per year through the fifth year. If he plowed it under after the third year, then, of course, he would not receive any bonus payment the fourth year. This would be the individual farmer's selection and on a yearly basis. Clipping, grazing, spraying, burning, etc., would not be permitted on the plots, except as provided by local ASCS committee agreement on control of noxious weeds.

3. Detailed specifications of the practice(s) shall be left to the discretion of the Secretary of Agriculture, and local requirements or deviations shall be permitted to meet varying conditions in different sections of the country.

Comment: State and county ASCS committees of necessity would have to work out their own "ground rules."

4. Justification of the additional payments can be made on the basis that better soil management would be effected; the problem of accumulation and storage of surplus farm products would be alleviated to a certain extent; and some savings would be made in reducing costs of administering the program such as measuring fields each year.

5. It is further recommended that the Secretary of Agriculture specify that State game and fish conservation agencies be represented as an advisory member (nonvoting) of the State ASCS Development Group for developing technical specifications.

Comment: Some State game and fish departments are presently providing technical assistance, but if the Secretary requested such representation on the State groups, it is certain that many more States would hasten to cooperate. Only by close cooperation and coordination of effort between the State and Federal agencies can effective and mutually beneficial land use programs be put into existence.

WILDLIFE MANAGEMENT INSTITUTE,
Washington, D.C., May 11, 1965.

HON. HAROLD D. COOLEY,
Chairman, Committee on Agriculture,
House Office Building, Washington, D.C.

DEAR CONGRESSMAN COOLEY: The institute regrets that it was unable to have a representative attend the hearing on title V of H.R. 7097, the Food and Agriculture Act of 1965. Conservationists and sportsmen are very much interested in this segment of the proposed new program, and I would appreciate having this letter made a part of the hearing record.

Conservation and wildlife interests favor extension of the soil bank program as proposed by title V. We think that it is an essential program, both from the standpoint of providing a positive, long-term means of removing land crop production and for placing "retired acres" in soil and moisture conserving status. When coupled with the three G practices of the ACP, this program also holds much potential for benefiting wildlife and recreation.

Experience in a number of States shows that upland game species, such as quail, rabbits, and pheasants, can benefit from the land retirement aspects of the soil bank program. Many farmers also benefited from the sale of hunting privileges on lands in the soil bank, local businesses and communities had an opportunity to sell goods and services to visiting hunters, and the sportsmen appreciated the expanded recreational opportunity.

It is realized that some of the recommended improvements in this program are a matter of regulations and involve no significant amendment of the act itself. Nevertheless, we wish to outline some of our thoughts so that they will be available for the committee's consideration of the reasons for extending the soil bank program. It is believed that the regulations should be modified, consistent with the broad authority contained in the proposed amendment of the act, so as to make the land-retirement program more acceptable to both the farmers and to a larger segment of the public. This would be done by giving the farmers additional economic incentive for placing retired lands in wildlife practices and by assisting the public in gaining access to the lands for hunting and allied recreational purposes.

Conservationists suggest that the regulations place greater emphasis on encouraging farmers to adopt practices to improve the capacity of retired lands for wildlife production. This can be done in part by offering larger financial payments to farmers and ranchers who place retired lands under wildlife practices and who permit public hunting on their property. Soil bank lands that are managed for wildlife purposes could be identified with appropriate signs or by some other acceptable means so as to let the public know that a farmer is cooperating in the program.

In addition, the conservationists suggest that the Department of Agriculture enter into cooperative agreements with the State fish and wildlife agencies in order to draw upon their technical knowledge to obtain maximum production of wildlife and hunting opportunity from the retired acres. This procedure would provide the USDA with a degree of local direction, supervision, and cooperation not available previously.

Experience in many States has demonstrated that landowners are interested in wildlife. They are prevented from increasing the wildlife capacity of their lands, however, because pure economic considerations force most of them to participate in Federal programs that offer the largest financial return. It is believed that incentive payments for placing lands in wildlife production and permitting public hunting under an acceptable plan would cause more landowners to participate in this phase of the program. Such a procedure would also make the entire soil bank concept more acceptable to the public because the obvious results of the program are more wildlife and hunting opportunity.

Program modifications or adjustments are believed necessary in present land use practices to accomplish the following:

1. Extra incentive payments for converting excess cropland to wildlife habitat should be based on the land's potential to produce not only row, grain, or forage crops, but wildlife crops as well.

2. Conversion of land should be encouraged in those areas where it will be most beneficial to species of farm game.

3. Program efforts should be directed toward getting a better distribution of smaller tracts of land on a large number of farms in good farm game range rather than large tracts of land on isolated farms in marginal wildlife range.

4. Lands already in preferred nesting cover, such as grass or legumes, should be retained in that cover and not shifted to some other cover. Other special areas, such as wetlands, also should be retained.

5. Practices permitted on converted acres should include better methods of weed control and use of forage species that will encourage the development of high-quality wildlife habitat. Some of the weed control methods now in use, for example, have relatively little value in controlling weeds. They do destroy large amounts of wildlife habitat, however.

6. All lands that are put into wildlife practices, should be managed specifically for wildlife. Other uses which may be permitted on the lands from time to time should be subordinate to the needs of wildlife.

We believe that much more public support would attach to the proposed extension of the soil bank program if it can be demonstrated that the public may receive some direct benefit from the retirement of cropland. It is believed that wildlife, hunting, and recreation offer the predominate beneficial uses that may be made of such lands. It is hoped that H.R. 7097 will be approved, and that the cropland adjustment program, title V, can begin to operate along the lines that have been suggested.

Conservationists also agree with the proposed extension of the feed grain program under title II. That program has created wildlife nesting cover in some areas.

Sincerely,

C. R. GUTERMUTH, *Vice-President.*

MERCERSBURG, PA., *May 27, 1965.*

Chairman HAROLD D. COOLEY,
House Agriculture Committee,
Rayburn House Office Building, Washington, D.C.

DEAR SIR: I am very interested in the ASCS program currently under study. I have been affiliated with the Franklin County, ASCS for the past 20 years, at present as performance supervisor and previously as a member of the county committee for which I served as chairman for 5 years. These duties have enabled me to contact numerous farmers (participants and nonparticipants of the conservation reserve program) therefore, I feel capable of expressing the views for a large majority of the Franklin County farmers. One hundred and sixty-three farms were placed in the conservation reserve, which includes my farm.

The vast majority of we farmers believe the best way to remove land from production is to place the entire farm in the reserve. This has a number of advantages over reserving a portion of the farm.

I would appreciate the opportunity of expressing my views and reviewing problem areas, either in writing or verbally with any member or members of the Agricultural Committee.

Sincerely yours,

I. S. HENDERSHOTT.

Mr. POAGE. May I ask is there anyone else who wants to be heard on this section of the farm bill?

The Chair hears no requests from anyone who wants to be heard. We want to give everybody an opportunity to be heard.

If there is anybody else who wants to be heard we will hear him now; if not, the committee will stand adjourned as far as public hearings are concerned. The hearings will be closed.

Thank you.

(Whereupon, at 4:05 p.m., the subcommittee was adjourned.)

TRANSFER OF ALLOTMENTS

TUESDAY, MAY 18, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to notice, at 10:20 a.m., in room 1310, Longworth House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Abbitt, Jones of Missouri, Stubblefield, Purcell, Olson, Matsunaga, Stalbaum, Vigorito, Mackie, Redlin, Greigg, Callan, Dague, Belcher, Teague of California, Mrs. May, Findley, Dole, Burton of Utah, and Polanco-Abreu.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimburger, general counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will please be in order.

We will go off the record for a moment.

(Discussion off the record.)

The CHAIRMAN. On the record.

Our first witness here this morning is Mr. Horace Godfrey from the U.S. Department of Agriculture, Administrator, ASCS.

We will be glad to hear from you now, Mr. Godfrey.

STATEMENT OF H. D. GODFREY, ADMINISTRATOR, ASCS, U.S. DEPARTMENT OF AGRICULTURE

Mr. GODFREY. Thank you, Mr. Chairman.

We are glad to appear before this committee to present the Department's views with respect to title VI of H.R. 7097. I will outline briefly the provisions of this title and then discuss the major advantages of the proposal.

Title VI authorizes the Secretary, if he finds that it will not impair the effective operation of the program involved, to permit the owner and operator of any farm for which an acreage allotment is established under any Federal statute on the basis of the history of production of the commodity on the farm to sell or lease all or any part of such allotment to any other owner or operator of a farm for transfer to such farm. For purposes of this title, "allotment" means acreage allotment, base acreage, acreage-poundage quota, or sugar proportionate share. The Secretary may also permit the producer to whom an allotment has been apportioned primarily on the basis of production of the commodity by the producer to sell, lease, or transfer by devise or other means all or any part of such allotment to another person. This title would permit the owner of a farm to transfer all

or any part of the allotment for such farm to any other farm owned by him.

No transfer would be permitted across State lines. No transfer would be approved from a farm subject to a mortgage or other lien unless the transfer is agreed by the lien holder. No transfer would be effective until a record of the transaction is filed with the ASC county committee of the receiving county and such committee determines that the transfer is in compliance with all provisions of title VI. The price to be charged would be a matter for consideration between the parties involved. We would not attempt to regulate or fix the price.

Authority to authorize the transfer of allotments should be discretionary with the Secretary. Current thinking in the Department is that the proposal clearly could operate effectively for any commodity subject to marketing quotas, including cotton, peanuts, tobacco, and rice. In addition, it probably could be made applicable to commodities under voluntary programs where there is strong incentive to participate and it is clearly advantageous for farmers to participate. Sugar proportionate shares would fall in this category.

The program should not be applicable to voluntary adjustment programs in which substantial numbers of farmers do not participate. The current feed grain program is an example. If the transfer of feed grain bases were permitted, the seller could still grow as much or more than before, although he would not be eligible for price support.

Title VI requires the Secretary to prescribe regulations to provide for orderly administration of the program, specifically including:

1. Provision for a downward adjustment when an allotment is transferred to a farm with a substantially higher yield, such as from a dryland farm to an irrigated farm.

2. Provision for reasonable limits on the size of the resulting allotments on a farm to which transfers are made, in order to maintain the "family farm" concept.

Title VI would repeal present law authorizing the annual lease and transfer of tobacco allotments, and would repeal present provisions which allow the sale of producer rice allotments. Enactment of this title would substitute a uniform system applicable to all allotments.

We feel that enactment of this title will do much to improve the economic situation of farmers with small allotments. Producers of allotment crops are now able to regulate, within limits, four of the major inputs necessary to production—land, labor, equipment, and financing. The fifth necessary element is allotment. Passage of this proposal will provide farmers the legal authority to control, within reasonable limits the size of the allotment which they feel is most desirable for their particular situation.

A major problem faced by many of our farmers is simply one of size. Thousands of allotments are too small to be economically practical. It is impossible to make a decent living off these acreages. Title VI would provide an opportunity for producers who wish to continue production of a commodity to increase their acreage up to a level which would afford a reasonable standard of living for the farm family. Producers who prefer not to continue production of an allotment crop could sell or lease their allotment and more effectively

concentrate on the production of the crops they prefer. This would also enable them to obtain compensation for the sale or use of their allotment. In total, the sale or lease of allotments would be of benefit to both the buyer and seller and would put our entire agricultural plant on a more efficient base.

Transfer of allotments will have the following advantages:

1. Will enable small farmers with the ability and desire for growth to acquire the additional allotment needed for an adequate family farm operation without having to acquire unneeded land.

2. Will enable those who do not wish to continue the production of the affected commodity to transfer their resources into some other enterprise with proper compensation for their assets.

3. Will reduce the cost of administering acreage programs as allotments are gradually consolidated.

4. Will promote the establishment of more efficient units of production and lower production costs with resulting increase in net farm income.

5. Will permit the farmer more flexibility in planning and carrying out his farming operations, because he can use the combination of land, fertilizer, machinery, labor, and other inputs that will give him the highest gross receipts at the lowest production costs. He will be able to effectively stabilize his acreage of any given commodity, yet can easily and quickly reduce or increase production to meet the demands of the market.

6. Will substantially reduce the number of requests for farm reconstitutions. This will ease the problem of administration. Too often these requests have been attempts to move allotments from one farm to another by improper schemes and devices.

7. Will allow producers who wish to discontinue production temporarily to lease allotments to others on a short-term basis, thus legally securing nongovernmental income with no decrease in farm value. Such income could well be comparable to profits from cultivation of small allotments.

8. Will eliminate attempted abuses of the eminent domain provisions of our present law. To avoid recurrence of the scandals of a few years past, the Department now reviews every request for transfer from eminent domain allotment pools at the county, State, and Washington level. In spite of this, attempts to improperly get allotments through this provision still sometimes occur.

9. At present, there is legal authority for release and reapportionment of cotton, peanut, and rice allotments. As a practical matter, however, transfer of allotments by this method is used only in connection with cotton. Our present authority for release and reapportionment will continue, but much of the activity under it will be eliminated if this title is enacted. Release and reapportionment, popular as it has been with receiving growers, has posed serious managerial problems for them. While the system has made it possible for many producers wishing to grow cotton to have a larger acreage than they otherwise would have had, these growers have been faced with uncertainties in planning their operation each year. This is because the acreage reapportioned to them is dependent on (1) the acres other farmers release, and (2) the acres which the county committee determines to be their fair share. Under this proposal, pur-

chasing farmers will be able to plan their farming operations on a more permanent basis, while at the same time, those not wishing to continue in production will have an additional source of income.

We believe these reasons are sufficient to show a very substantial advantage in shifting from our rigid acreage allotment programs to the more flexible system authorized by title VI. We need to emphasize, however, that producers will be the final judge of the merits of the plan. Within reasonable limits, producers will be the final judge of the merits of the plan. Within reasonable limits, they are free to buy, to sell, to lease, or to maintain their regular allotments. Participation in this phase of our agricultural program will be strictly voluntary. Farmers will be negotiating with farmers, on a supply-and-demand basis, for any transfers which may finally be consummated.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Godfrey, for your statement, and I would like to ask you a few questions.

Right at the end of the second paragraph of your statement you say:

This title would permit the owner of a farm to transfer all or any part of the allotment for such farm to any other farm owned by him.

Suppose that we have farms east and west of Nashville, they could be considered as one farm, then?

Mr. GODFREY. Yes, sir; that is right.

The CHAIRMAN. Well, now, suppose that you had a farm on the south side of Nash County, and one on the north side of Nash County, under this language you could transfer the one on the north side to the one on the south side?

Mr. GODFREY. That is right, sir.

The CHAIRMAN. In that way you would increase your production capacity, because the farm on the south side produces more tobacco than the farm on the north side.

Mr. GODFREY. No, sir. We have a yield-adjustment factor, as I outlined in the testimony here, which would adjust the acres from the low-yielding farm in the same proportion as the difference in yield. If one farm, for example, has a 3,000-pound-per-acre yield, and the other has a 1,500-pound-per-acre yield, then you would transfer only on a one-half basis from the low-yielding farm to the high-yielding farm.

The CHAIRMAN. And suppose that you transfer it from a dryland farm to an irrigated farm, the same thing would be true?

Mr. GODFREY. Yes, sir; this is right.

The CHAIRMAN. I have not heard this discussed down my way very extensively. I know that the peanut producers in other parts of the country are violently opposed to it, and the sugar people are opposed to it. I do not know just who has been for it.

Mr. GODFREY. It has been discussed quite extensively; in fact, the North Carolina State Grange in its annual meeting of 1960, I believe, included a recommendation for authorizing the transfer of allotments by sale or lease. It has been discussed in various other situations by the farm organizations, and this committee here has considered bills—I can recall back as far as 1958, when Congressman Abernethy introduced a bill permitting the sale and transfer of allotments.

The CHAIRMAN. What does the Farm Bureau in North Carolina say about it?

Mr. GODFREY. I do not recall whether they had a resolution on this or not.

The CHAIRMAN. What?

Mr. GODFREY. I know that some individual Farm Bureau members have expressed their interest in it and concurrence.

The CHAIRMAN. As I understand, under the reapportionment program in cotton which has operated very well in our State, the farmer can release his allotment without any pay.

Now, under this proposal he could sell that allotment.

Mr. GODFREY. That is right.

The CHAIRMAN. Or he could lease it?

Mr. GODFREY. That is right, sir.

The CHAIRMAN. Suppose that he leased it for 2 years, how long will this bill be in operation—is it a permanent law?

Mr. GODFREY. A permanent law, yes, sir.

The CHAIRMAN. Suppose that he leases it for 3 years and he does not plant it for 3 years, he would lose his history?

Mr. GODFREY. No, sir; he would be given under the lease provisions, the history for the acreage planted on the other farm. And he would retain his allotment.

The CHAIRMAN. But he could sell out and move from one farm to the other and forget it.

Mr. GODFREY. That is right.

The CHAIRMAN. Or he could lease it from year to year.

Mr. GODFREY. If he leased it to a farmer and it was planted by that farmer, then the farm from which it came would receive the history for it.

The CHAIRMAN. He would receive the same history?

Mr. GODFREY. Right.

The CHAIRMAN. That is what I put into the cotton bill that I introduced the other day, that even though he complied and so forth, he did not lose his history.

Mr. GODFREY. In title I, Mr. Chairman, we also propose to protect history whether the commodity is planted or not.

The CHAIRMAN. Are there any further questions?

Mr. Poage.

Mr. POAGE. Yes, Mr. Chairman, I would like to ask Mr. Godfrey a question.

I should like to ask about the tenant farmer. You know a large part of the cotton crop out in my part of the country is produced by tenant farmers. Many of them are renting land today that they do not own. Many of them do not have any cotton base, or if they do, they own very little, and they rent from several different landlords. Now, this would put this man out of business, would it not?

Mr. GODFREY. No more so than a change of mind on the part of the landowner would do now.

Mr. POAGE. Let us see. Suppose that you are a landowner—we will just take you, Mr. Godfrey, you are a landowner, and you are leasing to me or renting to me on the third and fourth—that is the basis on which they do it—you are renting me on the third and fourth, and most of our land is rented on that basis—you rent me a farm of 100

acres, and it has 40 acres of cotton allotment, and probably I am renting another farm from Mr. Cooley, and renting another farm from Mr. Jones.

Now, then, you are getting one-fourth of the cotton now. You do not really get very much. There is not very much to be made by either one of them—tenant or landlord—but under this bill you can get a cash payment for renting a cotton allotment to somebody out of the high plains where their production is greater than ours is and where they are seeking cotton acres much more than we are—you can rent that land out there for, let us say, \$25 an acre—I think that you could—are you going to rent that land to me with the possibility of getting \$5 or \$10 per acre on it, or are you going to take the \$25 an acre and put it in your pocket and leave me with my machinery and equipment sitting there without any land? Which way would you as a landlord operate?

Mr. GODFREY. I would operate, Mr. Poage, in the manner that would be best for me personally.

Mr. POAGE. What would be best for you personally?

Mr. GODFREY. There would be several factors that would have to be considered. Whether I wanted to retain the history of growing cotton on that farm and whether or not I wanted to keep the allotment on the farm. If I wanted to go into some other type of farming, to get out of the production of cotton, I would sell my allotment.

Mr. POAGE. You are not farming—you have not farmed all of your life—you do not intend to farm. I am using that in my illustration. You know that is what an ordinary landlord does. He is living in town. He owns some land. What is he going to do? He is not going to farm it. He is not going down there to plant that cotton—you know it and I know it. Why should he continue to rent it to his neighbor under this situation? I had a renter who told me last week that he just invested \$11,500 in equipment to use on rented land. Would I, under the terms of this bill, let him have that land next year or would I be economically forced to let somebody else lease my allotment? Would I not put cows on my place and rent the allotment in west Texas? I would get more out of cotton acreage by turning it over to somebody up on the high plains. It looks to me like it will put every one of these tenants out of business.

Mr. GODFREY. Let us take the other side of the coin.

Mr. POAGE. Let us first find out if it does not put the tenant farmer out of business. I want to look at the other side of the coin, but let us get the facts on this first. It will put every one of these tenant farmers out of business, will it not?

Mr. GODFREY. It will put him into business permanently.

Mr. POAGE. How?

Mr. GODFREY. If he can afford to invest \$11,500 in equipment, he can invest something in the allotment. Right now, he has no guarantee that he will get your allotment next year—none whatever.

Mr. POAGE. He has a pretty good guarantee, because has been farming the same man's land for over 40 years.

Mr. GODFREY. Let me ask you this. If somebody comes along and offer you \$10 more per acre for the allotment right in the same county, will you let him have it?

Mr. POAGE. I do not know. It will be a hard proposition for the landlord to be put into that situation. But I do not know that there is

lots more probability that someone from the plains or from the delta will offer \$10 more than anyone from my county will offer.

Mr. GODFREY. Recently I had the privilege of looking over the farm allotments in your home county. I do not know whether I would call the man a tenant or not, but I recall one individual who is growing in excess of 3,000 acres of allotment on about 22 different farms. I do not believe that he is a tenant farmer. He is growing that acreage by renting the allotments from the landowners.

Mr. POAGE. He is renting the farms from the landowner and——

Mr. GODFREY. And he is also getting some released acreage to increase it. I think, personally—I know several people who are operating this way—that they would prefer to have some assurance of growing cotton year in and year out, rather than to have to depend on this annual rental agreement with the landowner.

The CHAIRMAN. Will you yield?

Mr. POAGE. Yes.

The CHAIRMAN. You explained about the transfer of the allotment from one farm to another. That is, from the north to the south side of the county. What about across State lines?

Mr. GODFREY. The bill does not permit the transfer across State lines.

The CHAIRMAN. Why not?

Mr. GODFREY. That is the way the proposal is written.

The CHAIRMAN. Why does it make any difference as to State lines?

Mr. GODFREY. Well, we feel that there would be enough opposition to transfers across State lines to prevent the passage of the bill.

The CHAIRMAN. In other words, you have an objection?

Mr. GODFREY. Not for program reasons, but for practical reasons.

The CHAIRMAN. I do not see any difference. If you are going to make the necessary adjustment and permit a farmer to transfer from one part of the State to another part of the State, why not let him transfer it across State lines?

Mr. GODFREY. As a practical application, we just do not think that it would work.

The CHAIRMAN. Thank you.

Mr. Teague.

Mr. TEAGUE of California. At this point you have a lot better chance of getting my vote if allotments can be transferred to California.

Mr. GODFREY. There are practical reasons against it.

The CHAIRMAN. Are there any further questions?

Mr. Dague?

Mr. DAGUE. Mr. Godfrey, when they receive payments for allotments will that be included for tax purposes in the farmer's income?

Mr. GODFREY. If I understand your question, any income that he receives would be included in his income; yes, sir.

Mr. DAGUE. That is, the amount that he receives for the allotment would be included in his income?

Mr. GODFREY. Yes, sir.

The CHAIRMAN. Mr. Belcher.

Mr. BELCHER. If he sold this allotment, you might say that is the sale of a capital asset. Let us say that he received \$10,000 for his allotment. Would he have that much increase in his annual income?

Mr. GODFREY. That would be a matter for him to determine with the Internal Revenue Service. On a personal basis, I would try to claim it as a capital gain.

Mr. BELCHER. I was wondering how you would handle that.

Mr. GODFREY. I am not familiar enough with the Internal Revenue Code to say.

The CHAIRMAN. Mr. Jones.

Mr. JONES of Missouri. Mr. Godfrey, did the Department give any consideration to the Government buying these allotments to retire the land; in other words, it seems that we have been producing, for instance, too much cotton, more than we can get rid of—did you ever consider the Government buying up those allotments and, say, spreading the payment to the owner of that allotment over, say, a period of 3 to 5 years to permit him to adjust his operation?

Mr. GODFREY. Yes, sir. This has been considered many times in the past. I can recall specifically that consideration was given as early as 1955 to this.

Mr. JONES of Missouri. I have never learned what the objection to it was. It would have reduced the cost of the program—it would have reduced the excess production. What is the disadvantage of it?

Mr. GODFREY. There are several disadvantages. First, it would put the Department of Agriculture, if they administered this particular provision, in a position of dealing in transfers of title to the right to grow something and holding it. It would also put them in a position of—

Mr. JONES of Missouri. What is the objection to that?

Mr. GODFREY. Well, there are objections—

Mr. JONES of Missouri. What is the objection to that?

Mr. GODFREY. The most serious objection on the administrative side, so far as the Department of Agriculture is concerned, is establishing the price which would be required and the price at which it sold if that was authorized.

Mr. JONES of Missouri. I think that could easily be taken care of. If the Department would start in and could handle it. I understand that you are now recommending that the person holding the allotment will not be required to plant in order to hold his history. In the past he has had to plant. That has contributed to the overproduction we have. In this way you would buy those allotments—you would have less money expended than you would under the present program. And then when we reached a point where we thought that we needed that additional production, then those allotments could be sold and we could write in here a provision that they would not be sold for less than the Government had put into them to start with.

Another thing; I think that if we reached a point where necessary, I think that we could put those allotments up for bid and let the Government make a little money off of them. I do not see anything wrong with the Government making money off of these programs. We have been losing a lot of money over these years on them. Let us make a little money.

What about that?

Mr. GODFREY. You would have quite a bit of competition, I think, from farmers who want to grow additional crops. There would be quite a number of complaints, and they would descend here rather

than any other place, with the cry that the Government is in competition with them.

Mr. JONES of Missouri. We are not going to sell the allotments until the time comes when we need this additional production. And the way it has been going it seems to me that it will be sometime in the pretty far distant future, before that condition will arise.

Mr. GODFREY. Let me use a specific example. I said that there would be many complaints received by Members of the Congress that the Government was competing with actual farmers by buying allotments. At the present time there are about 585,000 cotton farmers. I do not know of a single one who is convinced that we are producing too much cotton.

Mr. JONES of Missouri. Well, now, these farmers are not dumb. They know that they have been producing more cotton than we can get rid of. They know that.

Mr. GODFREY. I have not had one admit it to me.

Mr. JONES of Missouri. I think that a farmer would be dumb who would say that we are not producing too much, because I think it is a fact that we are. We cannot get rid of it.

Mr. GODFREY. This is true, but if the Government started buying these allotments, then the farmer who wanted to grow additional cotton would complain that he was having to compete with the Government.

Mr. JONES of Missouri. Well, we would not be taking away from him anything that he would obtain himself now.

The CHAIRMAN. You are not proposing, Mr. Jones, to put the Government into the cotton-growing business.

Mr. JONES of Missouri. No, not at all—no production of a bale at any time—just the allotments to be held, to be reserved until the time we needed them.

The CHAIRMAN. What would you think that would cost per acre?

Mr. GODFREY. It would vary by different parts of the country and it would vary by the demand in the area for cotton, if you are talking about cotton.

The CHAIRMAN. How much would it be? In California, for example, I suppose that it would cost \$40,000 per acre, maybe.

Mr. JONES of Missouri. I will explain. Each person would voluntarily release their allotment each year. They are getting nothing for that at all now. Under the plan that I am proposing they would be getting something for that allotment. This allotment does have value—it contributes to the price of the land—we know that. I know down in my part of the country a man with a cotton allotment, the value of his land is considerably more. So what are we doing? We would be taking the land which is being released voluntarily—we would just take that out of production. If we had had that in this past year we would not have had this 1,500,000 or 2 million bales of cotton produced in excess that we are unable to sell and which will be added to our carryover at the end of August. Is that not a fact?

Mr. GODFREY. This is true, but a lot of farmers who received reapportioned acreage would have complained that the Government was depriving them of the right of growing additional cotton.

Mr. JONES of Missouri. Certainly, they are going to complain, because now you are going to make them buy it—so they are going to

complain about that—they have been getting this for free. You release it or grow it or you take his allotment.

Mr. GODFREY. We are making it voluntary. He can buy if he wants to.

Mr. JONES of Missouri. Under the present law it has been compulsory that he either release or plant.

Mr. GODFREY. That is right.

Mr. JONES of Missouri. In order to retain his allotment.

Mr. GODFREY. Under this we would let him sell or retain, either one.

Mr. JONES of Missouri. All right. What I am saying is let us let the Government buy that up and we will get somewhere.

I have one other question. Referring to the same statement that the chairman did about permitting the owner of the farm to transfer all or any part of the allotment of such farm or any other farms owned by him—what is the difference from that and this reconstituted acreage where a fellow has, say, 15 or 20 allotments in different locations. In the past we have permitted him to reconstitute and plant that all in one plot.

Mr. GODFREY. The primary difference is that this would permit it anywhere in the State whereas under our reconstitution procedure it is not generally permitted if the farms are in different counties and far apart.

Mr. JONES of Missouri. Well, of course, there are exceptions to that rule.

Mr. GODFREY. There are exceptions. The definition now says the farms have to be nearby and easily accessible, before we can do that.

Mr. JONES of Missouri. What you are doing is that you are permitting him to transfer. Well, actually, we have been permitting him to transfer already.

Mr. GODFREY. Yes, sir; in the majority of cases this is right, but this would open it up more.

Mr. JONES of Missouri. Under the present law we permit them to reconstitute without any reference to yields.

Mr. GODFREY. That is right.

Mr. JONES of Missouri. And that is one other thing that has contributed to this excess production.

Mr. GODFREY. That is right, sir. In the example cited by the chairman, they could have grown the allotment over on the other farm, anyway, because the farms were nearby and within the same county.

Mr. JONES of Missouri. Now you say that you are going to restrict this to the State. But when you do that you are going to get into the same inequity which could be brought up about transferring it across State lines, because so far as that is concerned, this same situation exists in some parts. I happen to live in a county where in the north the poor land is hilly and the production is low, and down in the southern part we have a heavy yield. And when we have reconstituted within my county, it has grown from one-half a bale up to a bale and a half or two bales. From the standpoint of equity that is not right, but it would be the same situation. In other words, if you transferred it from one State to another or within the State. I think that you are getting into trouble when you try to do this. You are going to open this thing up to all kinds of finagling when you try to base your yields on such a basis, and say that a fellow who has an acre where he

produces a half bale an acre, he can transfer it down to where it will be two bales to the acre, so that we will give him a quarter of an acre or something like that—you are going to find all kinds of things. You will have a headache and you will have such a headache as you have not had until you get into this.

I still want you to consider about letting the Government buy this allotment, adjusting this allotment, to just take it out of production until such time as we need it. In that way you are going to help the small farmer who has a very small allotment, who cannot farm it profitably. He barely is eking out a living, but if you can give him something for that allotment, and spread it over, say, 3–5 years, you are enabling him to have some income while he can readjust his living conditions. We cannot kid ourselves as we have tried to do over the years that we are trying to maintain the family sized farm. We have made a social problem out of it. We have been paying the man to stay on the farm to starve to death, whereas we would have done him a favor if we had permitted him to get out and to get into some other line of work, which he has done in many areas of the country. I am very strong for that.

What would happen to the acreage allotment at present in the conservation reserve program? Would they be eligible for sale under title VI?

Mr. GODFREY. They would be eligible once the contract expires. There is also a provision that if the allotment is transferred prior to the expiration of the contract, we would adjust the payment rate under the contract downward.

Mr. JONES of Missouri. Is that written into the bill where you say that in the conservation reserve which is for, say, a 5- or 10-year period, where I have land in that, that I will have to complete that contract first?

Mr. GODFREY. There is such a provision in the present Soil Bank Act, yes.

Mr. JONES of Missouri. That is in the Soil Bank Act?

Mr. GODFREY. Yes.

Mr. JONES of Missouri. At the expiration of that period I could go and pick up the allotment and be eligible?

Mr. GODFREY. That is right, sir.

Mr. STALBAUM. Will you yield?

Mr. JONES of Missouri. Yes.

Mr. STALBAUM. Do I understand rightly that under the new cropland adjustment program that when you in effect lease your land to the Government, that the allotment goes with it to the Government during that period of time?

Mr. GODFREY. Right.

Mr. STALBAUM. Is that not getting mighty close to what Mr. Jones was advocating earlier about the Government picking up the allotment?

Mr. GODFREY. It is very close to it; yes, sir. You tie it down for that number of years.

Mr. JONES of Missouri. I think that your main point there is one that I have been trying to make. You have brought it out.

Mr. GODFREY. You tie it down to that number of years. You do not tie it down permanently.

Mr. STALBAUM. But you do for that period of time.

Mr. GODFREY. That is right.

The CHAIRMAN. Will you yield?

Mr. JONES of Missouri. Yes, sir.

The CHAIRMAN. One of the problems that cotton faces now is overproduction. There is an abundant supply.

Under this proposal that would not change that situation at all—this proposal would not, would it?

Mr. GODFREY. No, sir.

The CHAIRMAN. It would vary from one to the other, would it not?

Mr. GODFREY. It would change this to a degree.

The CHAIRMAN. What?

Mr. GODFREY. At the present time, there are about 1,500,000 acres of cotton released and reapportioned annually. Generally, as Mr. Poage pointed out a few moments ago, this is released from low-yielding farms and a major portion of it finds its way to the high-yielding farms without any adjustment in yields.

The CHAIRMAN. Do you make adjustments in yields now?

Mr. GODFREY. No, sir.

Mr. JONES of Missouri. Will you yield?

The CHAIRMAN. Yes.

Mr. JONES of Missouri. Actually, what you are doing in this bill as anybody who has had any experience ought to know, that the fellow who buys the allotment, is going to raise more cotton, regardless of taking into consideration yields, that he will raise more cotton than was raised where the allotment came from. Every time you have a release and reapportionment you can figure that the reapportioned acre will produce more cotton than where it came from, even if you try to adjust that yield, because if you get too strict about the yield you are going to have more complaints, and you are going to favor the fellow who is getting the reallocation.

Mr. GODFREY. This is true insofar as the release and reapportionment is concerned. And it is true, also, insofar as improved technology increases yields continually. If cotton yields would level off this would not be true.

Mr. JONES of Missouri. Here is what is happening now. For instance, in my county, the fellow who is going to increase his acres, he is usually the most efficient farmer and employs all of the advanced technology. He is actually going to produce more than the fellow who has been just trying to get out of the cotton business.

I yield.

The CHAIRMAN. Mr. Findley.

Mr. FINDLEY. I think that Mr. Jones has presented the most hopeful idea we have had before the committee yet. I hope that we explore it before we close this. It is very similar to the proposal that was made several years ago whereby the Government would reimburse the farmer for the capitalized value of the allotment, and then the farmer could use that money for whatever he wanted to use it for. In other words, there would be a way of getting the Government out of it.

You did not mention wheat.

Mr. GODFREY. No, sir.

Mr. FINDLEY. Why?

Mr. GODFREY. Wheat is presently a voluntary program. We would consider whether or not the incentives to comply with the voluntary program is great enough so that the farmer who transfers the allotment would stay out of wheat production.

Mr. FINDLEY. As of now, we ought not to consider that you are proposing that they be for wheat and feed grains, should we?

Mr. GODFREY. This is right.

Mr. FINDLEY. Wheat and feed grains would not be included. Do you not feel that this proposal tends to accelerate the shift in the population from farm production to other occupations?

Mr. GODFREY. Not necessarily. In the area where we expect most of the transfers to take place the people still on the farm are now leasing their allotments, with their farms, to someone else to grow. This is happening in the case of tobacco, peanuts, and in the case of rice and to a degree in the case of cotton.

Mr. FINDLEY. Is it fair to assume that you want to limit this transfer facility to certain circumstances where the leasing arrangements have been made?

Mr. GODFREY. It might be discriminatory, because there are some present part-time farmers who would want to continue to live on the farms. There are some elderly people who want to continue to live on the farm. You realize and they realize that the allotment has a value, but rather, they would rather have someone come to their farm and produce the commodity. They would get the value of the commodity this way.

Mr. FINDLEY. Has any major farming organization spoken out or asked for this type of legislation?

Mr. GODFREY. If I am not mistaken, the National Grange had this in their resolutions as early as 1960. I could be mistaken on that.

Mr. FINDLEY. They are now proposing this legislation?

Mr. GODFREY. Mr. Graham is here this morning and will be able to testify on this. I do not know the position of the American Farm Bureau, or the National Farmers Union, or the NFO.

Mr. FINDLEY. We may certainly assume that it will not apply to feed grains or wheat?

Mr. GODFREY. That is right.

Mr. FINDLEY. Thank you.

The CHAIRMAN. Mr. Purcell.

Mr. PURCELL. When you say that you do not contemplate this, do you want the authority to have it go into the sale of these acres at any time, unless we do something specifically to prevent it?

Mr. GODFREY. We think that it would be advisable to put the authority in, and leave it discretionary with the Secretary. If the program incentives are such that the producer could not afford to grow the commodity if he transferred his allotment, the provision could be activated.

Mr. PURCELL. But it would be a matter of judgment the Secretary would have to make if and when he decided this was all right?

Mr. GODFREY. That is right, sir. We would abide by the committee's wishes on that, however.

Mr. PURCELL. Thank you.

The CHAIRMAN. Mr. Dole.

Mr. DOLE. I should like to present Governor Avery and his daughter Barbara who are present this morning. Governor Avery knows most of our members.

The CHAIRMAN. We are pleased to have you here, Governor.

Governor AVERY. I am glad to be here.

The CHAIRMAN. Are there any further questions? Mr. Dole?

Mr. DOLE. I have a question that Governor Avery is interested in. Perhaps we can make a record on a problem which concerns many people in Kansas who have had or will have land taken by eminent domain. You mention this briefly on page 4 of your statement, Mr. Godfrey. The question is, What happens to the allotment when land is taken by eminent domain? As I understand it, the allotment goes into the allotment pool, and the owner has 3 years in which to transfer it to other land that he may own.

Mr. GODFREY. May own or acquire.

Mr. DOLE. Own or acquire?

Mr. GODFREY. Yes.

Mr. DOLE. Is it possible to transfer the entire allotment to land he acquires or owns?

Mr. GODFREY. In some instances he cannot because we have a limitation that final allotment on the land to which he transfers may not exceed the customary size allotment for the community.

Mr. DOLE. He has 3 years in which to work out some program?

Mr. GODFREY. Yes, sir.

Mr. DOLE. If he does not do anything in those 3 years is that allotment lost for that county?

Mr. GODFREY. It is not lost to the county. It is lost to the individual. The county has received the history. And since county wheat allotments are on a 10-year history basis with adjustment for trend, the county has not lost all of the history. They may have lost part of the history, but very little.

Mr. DOLE. Then would it be a correct statement to say the number of farmers sharing the allotment would be less, hence allotments would be larger?

Mr. GODFREY. A little larger for those farmers remaining in the production of wheat, that is right.

Mr. DOLE. It does cover that.

Governor AVERY. That is fine. With that statement on the record, yes; that is fine.

Mr. GODFREY. The eminent domain provision has given us some difficulty, as you know, because the farmer wants to get some value for his allotment if he is unable to buy additional land. So he tries some way to get this allotment transferred to another piece of land and to get a value for it, even if he has to retain ownership of the land for even a year or two, and then let it revert to someone else.

Mr. DOLE. In some of the counties, of course, they have had public projects which have taken a large number of acres, thousands of acres of allotments, both wheat and feed grain base acreage. Of course, it is important to the economy of a particular county. From a county's standpoint, separate and apart from the landowner's personal interest, it would be desirable for the allotments to remain with-

in the county if not transferred by the owner and divided among the remaining farmers. This is done; I understand.

Mr. GODFREY. This is right.

Mr. DOLE. Then, secondly, one other question with reference to the transfer and sale of allotments, generally. This question has been raised by farmers, particularly in areas like ours where there is concern about large farmers buying all of the allotments, and eliminating what we refer to as the family-type farm. Do you feel—I think Mr. Findley raised the question—that the transfer-and-sale provisions will exclude anyone from doing that?

Mr. GODFREY. I do not believe so. We would have two types of limitations. One, a limit on the size of individual allotments beyond which no further allotments could be acquired by transfer. And, secondly, a limitation based on customary size of farm allotments in the community or the county.

Mr. DOLE. There is merit in permitting the landowner to transfer his allotment to another piece of land, rather than to have it scattered over a number of farms in the county or in the State. This would be of considerable interest to the farmers, but there is one problem: If a farmer has land which has been taken by eminent domain, can he rent other land and transfer his allotment from the land taken?

Mr. GODFREY. No; section 378 of the act which does not permit this.

Mr. JONES of Missouri. Will you yield for a question there?

Mr. DOLE. Yes.

Mr. JONES of Missouri. Actually, what has happened is that when this land was taken under the right of eminent domain the allotment could be transferred, I understood, to other land that he could acquire.

Mr. GODFREY. That he owns or acquires, but renting is not considered acquiring.

Mr. JONES of Missouri. But he could do that. He would not be operating under a situation where a man eats his cake and has it, too, when he sells land under the right of eminent domain, in establishing the value, we take into consideration the value of the allotment. And if you do not negotiate with him for that, he can go into a court, and a jury will say that it has a value, that the allotment is worth more than we pay him, on that basis, and then we turn right around and give it back to him and let him put it on other land that he has or has acquired, so that he really has been enjoying his cake.

Mr. GODFREY. It has been my experience that this has not been the case.

Mr. JONES of Missouri. What is there to prevent that?

Mr. GODFREY. The land that has been acquired by agencies having the right of eminent domain have often been acquired at the value of the land without the allotment. This is in the history of the domain provision which goes all the way back to 1943 when Congressman Graham Barden, from the Third District of North Carolina, introduced legislation which was enacted into law. It came about as a result of land acquisition in the Congressional District No. 3, North Carolina, for two Marine bases. The farmers had valuable tobacco allotments, but they only paid for the value of the land itself. He got the legislation passed, so that they could continue to farm, if they wanted to and could transfer the allotments over to other land that they had acquired.

Mr. JONES of Missouri. Is there a law in the case of the assessed value of the land, based upon the allotment, that the allotment would not be transferred then?

Mr. GODFREY. No, sir; there is nothing in the law with reference to this.

Mr. JONES of Missouri. You will find that a lot of people have gotten the value of their land, including the value of the allotment, and then they have the allotment again, because, certainly, if the man is going to court, he will get it.

Mr. GODFREY. Many services that have the right of eminent domain, have attorneys who are sharp enough that the value of the land is the only thing that they pay for.

Mr. DOLE. I think that this is true, Mr. Jones. It has been my experience that the land is not considered with the allotment—you consider the land only. On this basis, do you have any objection or does the Department have, to transferring the allotment to the land that he may rent during the 3-year period?

Mr. GODFREY. This would take a change in section 378 of the act—a change from own or acquire to own, acquire or rent.

Mr. DOLE. Have you taken a position on this?

Mr. GODFREY. We have not taken a position on this. The last amendment to section 378 was in 1958. We have not had a position on it since then.

Mr. DOLE. Thank you.

The CHAIRMAN. Mr. Stalbaum.

Mr. STALBAUM. On page 2 of your statement, about a third of the way down on the page, you have an item about a provision for a downward adjustment when an allotment is transferred to a farm with a substantially high yield, such as from a dryland farm to an irrigated farm. Is this downward adjustment in the allotment or in yield or either?

Mr. GODFREY. In allotment.

Mr. STALBAUM. In allotment?

Mr. GODFREY. In allotment.

Mr. STALBAUM. I would like to pursue this point briefly. As farmers purchase an allotment, of course, we recognize that the transfers have to be approved by your ASCS committee, and so forth. How soon would he know that he was not going to have some adjustment made in the allotment that he thought he bought?

Mr. GODFREY. Well, I can explain this by the operation of the leasing provision for Flue-cured tobacco. When a farmer leases tobacco acreage to another farmer, generally the two of them wind up at the county ASCS office, and the county office advises them of the yield for both farms.

Mr. STALBAUM. This is an adjustment of yield?

Mr. GODFREY. It would result in an adjustment in the allotment. Suppose one farmer has a 2-acre allotment, and he wants to transfer it to another farm. His farm has a yield of 1,500 pounds per acre. The farm to which the allotment is being transferred has a yield of 2,000 pounds. Instead of receiving 2 acres, the second farm gets one acre and a half.

Mr. STALBAUM. You get the same yield total?

Mr. GODFREY. The same net yield.

Mr. JONES of Missouri. Will you yield there?

Mr. STALBAUM. Yes.

Mr. JONES of Missouri. When you transfer these 2 acres from one farm and you give an acre and a half to the other farm, what happens to the other 1½-acre allotment?

Mr. GODFREY. Nothing happens to it. It is not grown.

Mr. JONES of Missouri. What would happen to it in the cotton part, for instance?

Mr. GODFREY. We would have to have the regulations written in such a way that that portion of the allotment which was transferred would not be allotted the next year or at any time in the future.

Mr. JONES of Missouri. Would you not run into a terrible administrative proposition there trying to figure out how many acres you had left?

Mr. GODFREY. No, sir—no more than we have at the present time in keeping up with the history on the individual farms.

Mr. JONES of Missouri. Thank you.

Mr. STALBAUM. In connection with Mr. Jones' point, this is not a difficulty in leasing, because, the next year it may be back, but what happens if this is sold on a permanent basis or is outright sold, and if a man has, in effect, sold 2 acres and he ends up selling one acre and a half—what then happens to the other one-half acre?

Mr. GODFREY. We would have to maintain records on this, as we now do on the history for each individual farm. This acreage would not be prorated to other farms the next year because of the minimum allotment provision, or any other provisions.

Mr. STALBAUM. Let us carry it one step further. I do not want to make this a highly technical thing. I am trying to keep it realistic.

Supposing that the second farmer shortly after, a few years later sells his allotment—would he then have one and one-half extra acres or 2 extra acres to sell?

Mr. GODFREY. One and one-half acres.

Mr. STALBAUM. I see. In effect, because that is all he has really purchased?

Mr. GODFREY. That is right.

Mr. STALBAUM. Thank you. That is all.

The CHAIRMAN. Mr. Callan.

Mr. CALLAN. Suppose that the farmer had 25 acres of cotton and he sold his allotment—what could he do with those 25 acres of land, can he turn around and plant that in grass or feed grains?

Mr. GODFREY. There is no provision in the law against what he could devote the land to.

Mr. CALLAN. What you do then is that you pay him for taking his cotton allotment out of production, and then he could turn around and plant 25 acres of feed grains on those acres that were, actually, being planted to cotton before?

Mr. GODFREY. The same thing happens now. He can release 25 acres of cotton allotment and grow 25 acres of feed grains, if he desires. It is no different from now.

Mr. CALLAN. I see. Thank you.

Mr. GODFREY. Except that he might get something out of the 25 acres, that he does not now.

The CHAIRMAN. Mr. Stubblefield?

Mr. STUBBLEFIELD. Could he sell part of it?

Mr. GODFREY. He could sell part or all of it.

Mr. STUBBLEFIELD. Do you put these allotments up for sale to lawyers and dentists and doctors and the like when they are put up for sale? Is that not what might happen?

Mr. GODFREY. A lot of people believe that might happen. Personally, I do not believe so. It so happens that in many of the Southern States where this would operate on cotton, tobacco, and peanuts, in some cases on rice, the average size allotment at the present time is uneconomic. Let us take Flue-cured tobacco, for example. Out of 125,000 individual farm allotments in the State of North Carolina better than 50,000 of them are less than 1 acre. For an economic size unit a farmer in the case of Flue-cured tobacco should have, at least, 3 acres, because it takes 3 acres to operate a barn, a curing barn. So that we now have better than 50,000 farmers operating on an uneconomic basis. They have to cure, at least, once a week, regardless of how much tobacco they put in that barn. The same is true in the case of cotton.

Mr. STUBBLEFIELD. What has that got to do with these allotments?

Mr. GODFREY. In many of these cases, the farmer who has 1 acre will want to acquire up to 3 acres, so that he can continue a family-type operation. Right now he is renting this from somebody else.

Mr. STUBBLEFIELD. I do not see how this would prevent some of these things from happening that have been mentioned. Would there be any limitations?

Mr. GODFREY. We will have limitations as has been suggested by Mr. Cooley and others to keep them from getting more than a total of so many acres or more than the average for the community.

The CHAIRMAN. If I may interrupt there, in North Carolina we have 66,700 cotton farmers with allotments, 61,100 with less than 15 acres.

Mr. GODFREY. Right, sir. And you wind up with about 44,000 effective allotments, as we call them, after release and reapportionment. Somewhere in the neighborhood of 20,000 farmers who are releasing their allotments and getting nothing for them.

The CHAIRMAN. I think it is a difficult proposition.

Mr. Callan.

Mr. CALLAN. Just one more question. If you do not put any provision in the law and the Secretary would determine that we are going to have the transfer of allotments in the wheat program, this would mean a farmer then could transfer a wheat allotment, and then could turn around and produce feed grains on these acres, if he so desired?

Mr. GODFREY. This was the reason that we are doubtful that it would work in the case of wheat at the present time; yes, sir.

Mr. CALLAN. Unless you had a compulsory program on wheat. Then you would not consider using it on wheat at all?

Mr. GODFREY. That is about right.

The CHAIRMAN. Mr. Heimburger wants to ask you a question.

Mr. HEIMBURGER. I have just one question. You use the word "allotment" in discussing the bill. Actually, a man cannot sell an allotment as such, except this year's allotment that is already in existence.

Mr. GODFREY. That is right.

Mr. HEIMBURGER. So, actually, what we are talking about is the "transfer of history."

Mr. GODFREY. That is right.

Mr. HEIMBURGER. Rather than the "transfer of allotment?"

Mr. GODFREY. Right.

Mr. HEIMBURGER. I think, perhaps, the legislation should be made clear by using the word "history" rather than the word "allotment" where it is used in several places in the bill.

Mr. GODFREY. Yes.

The CHAIRMAN. Thank you very much, Mr. Godfrey.

We will next hear from Mr. Lawrence. We are delighted to have you with us, and we will be glad to hear you now.

STATEMENT OF A. C. LAWRENCE, APEX, N.C., REPRESENTING THE NORTH CAROLINA STATE GRANGE AS CHAIRMAN OF THE AGRICULTURAL POLICY COMMITTEE AND AS LEGISLATIVE ASSISTANT TO THE MASTER

Mr. LAWRENCE. Mr. Chairman and members of the committee, my name is A. C. Lawrence. I am from Apex, N.C., and representing the North Carolina State Grange as chairman of the agricultural policy committee and as legislative assistant to the master. My testimony is in support of H.R. 7097, title VI: Transfer of Allotments.

The Grange has traditionally supported the family farm. This does not mean, as some people think, that the Grange supports farm units that are uneconomical in size. In recent years, the size of family farms has increased tremendously in order to take advantage of cost-saving technologies. The family farm that is so vital to American agriculture and to the total society is one that is flexible and adaptable to change.

In many commodities, the opportunity to increase efficiency by increasing acreage on farms has been evident for a long time. Mechanical cottonpickers were perfected several years ago. Studies show that with the cost of handpicking cotton at \$3 per hundredweight, it is necessary to have about 100 acres to justify purchasing one of these expensive cotton harvesting machines. At the present handpicking rate of about \$4 per hundredweight, about 50 acres are necessary to purchase this piece of machinery. The current release and reapportionment program for cotton was at least partially in response to the recognized need for having larger scale production in order to adopt efficient practices.

The need for consolidation of acreage allotments for more efficient production is becoming even more important in the tobacco and peanut producing areas of North Carolina. Recent breakthroughs in harvesting and curing of tobacco cannot be followed through in many instances unless provisions are made for getting larger acreages. The completely mechanized tobacco harvesting machine costs about \$10,000 and must be used close to capacity for a farmer to justify purchasing it. Combine harvesting of peanuts and equipment for bulk handling also requires a tremendous investment. About 26 acres of peanuts are required in order to justify the purchase of a combine. The seasonality of labor requirements for these crops and the short labor situation will

probably result in rapid mechanization if adequate sized allotments can be obtained.

The current distribution of allotments among farms by size further illustrates the necessity for providing for transfers and consolidations. In cotton, for example, over 46,000 farmers in North Carolina have allotments under 5 acres. This is out of a total of about 72,000 allotments. Only about 130 farms have allotments of 100 acres or more. Tobacco farmers are in a somewhat similar situation with about 37 percent of all Flue-cured tobacco farms having 2 acres or less.

Provisions have been available for a few years to create more adequate sized units for cotton and tobacco. The extent of the need has been reflected in the degree of participation in these programs. In North Carolina, over 86,000 acres of cotton were released in 1964. The demand for the release of additional acreage was over 124,000 acres. In 1963, about 10 percent of the total number of tobacco allotments in the State were transferred. These programs, however, have no long-range stability. A cotton farmer who obtains cotton acreage from the county or State pool in a given year has no assurance that it will be available the next year. The decision to purchase a \$7,000 picker is extremely difficult under these circumstances. A farmer should not have to operate under these kinds of risks in addition to the other hazards that he faces in producing a crop.

A sale or lease program would not only benefit the operator who is leasing or buying allotments, but would help the farmer who is releasing the allotment to expand into some other area of production. The advantages from increased specialization would accrue to both the farm obtaining additional allotments and the farm releasing. It is well recognized that modern farming is requiring more and more specialization because of the managerial and technical complexity of agriculture.

The principal objection to sale or lease of allotments has heretofore always been that production would shift geographically and affect the industries supplying agriculture adversely. This would probably not be serious, however, if transfers are restricted to State boundaries. The crops affected are tied closely to the soil and climate, and production is already fairly concentrated. In most areas where production is not physically suited, production has been declining for a long time. An examination of the transfer programs in effect for tobacco and cotton indicates that probably the greatest release is from small units as opposed to entire areas going out of production.

It is essential that a lease and sales program be designed to protect the family farm and prevent small farmers from falling prey to larger and shrewder operators. Farmers should not be permitted to obtain larger acreages of any commodity through such a program than the extent necessary to have an efficient family farm. This is consistent with the longstanding policy of the Grange to support an efficient family farm system in American agriculture.

The CHAIRMAN. Thank you very much, Mr. Lawrence.

Any questions?

Mr. Poage.

Mr. POAGE. He points out that the basic objection to the sale and lease of allotments has always been that the production would be increased and then he says that since this is restricted to State bound-

aries it probably would not be very meaningful. At least 40 percent of the cotton acres of the entire country are in Texas. We have, I think, just about as much diversity within the State of Texas as you find within the United States as a whole. The eastern part of the State is all small farms, very much as you have it in North Carolina. The high plains are strictly irrigated, just as you have in California.

I do not see how you can give us the slightest protection with this provision, do you?

Mr. LAWRENCE. I do not see except at the State level. I think that we protect what is already in the State.

Mr. POAGE. That is quite right. And if you are talking about taking care of a crop of 40 percent of all cotton acreage it is there—you are not protecting 40 percent right to start with, and you have a lot of other places where you have that same situation, but if you start with 40 percent where you know you have got an inequity—and I think that you admit there is an inequity in my State——

Mr. LAWRENCE. Well, if you could figure out some way to give us an incentive in North Carolina to move some of the Texas cotton into North Carolina we would like to know about that.

Mr. POAGE. I do not think you can. Do you?

Mr. LAWRENCE. I do not.

Mr. POAGE. I think just as you said, that if you open the State boundaries that your cotton would move west, too.

Mr. LAWRENCE. Exactly.

Mr. POAGE. Your cotton would move to the Delta and to the high plains of Texas and to California, would it not?

Mr. LAWRENCE. We have the same problem that you do.

Mr. POAGE. No, you do not have the same problem in your State because you do not have anybody in the western part who will buy your allotments. That is what we have. You do not have that. Our allotments will be bought and moved to the high plains. And in the eastern section of our State the result would be just exactly like it would be in your State if you allowed California to buy your allotments. We have buyers within our State boundaries. You subject 40 percent of the cotton of the Nation to what you admit is an unfair and dangerous situation just to start with. I think there are other States that have a great deal the same situation. Probably the Delta and the hill lands of Mississippi have about that same relationship. I cannot pass upon any State except the one that I live in, but I do know that there is that one where that is a big factor.

I want to ask you about one other thing.

You keep talking about sale or lease. Mr. Godfrey talked about that. They are not the same thing. I do not know what you want to accomplish, but sale and lease do not accomplish the same thing. The lease of an allotment does not bring about an adjustment, so that the man who is an uneconomical operator gets out of that operation and his allotment is added to somebody to make it an economic operation. The lease of the allotment does not ever do that. It simply perpetuates forever this uneconomic situation. Why do you want to perpetuate it?

Mr. LAWRENCE. I say in some circumstances, under certain conditions leasing might be the answer.

Mr. POAGE. What are those circumstances?

Mr. LAWRENCE. Well, they might be the possibility that this fellow would want to plant his cotton again. He might be in a cotton-producing area. It may be that he cannot produce it in a particular year for a particular reason and maybe his neighbor can, but he wants to retain his allotment and keep that economy for his community, rather than to see it moved to another community. I think there is a place for leasing and there is also a place for selling. I think anybody could recognize that.

Mr. POAGE. If you lease, then you will never move these uneconomic operations, will you?

Mr. LAWRENCE. By leasing?

Mr. POAGE. By leasing.

Mr. LAWRENCE. I do not think by leasing is the answer to that.

Mr. POAGE. I do not, either.

Thank you.

The CHAIRMAN. Are there any further questions?

If not, thank you very much.

Mr. LAWRENCE. Thank you.

The CHAIRMAN. Our next witness is Mr. Harry L. Graham, of the National Grange.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, THE NATIONAL GRANGE, WASHINGTON, D.C.

Mr. GRAHAM. Mr. Chairman and members of the committee, I am Harry L. Graham, legislative representative of the National Grange. The development of farm programs in which allotments for production are made to individual growers has brought a new factor into the field of farm management which has been at the same time both a liability and an asset.

The simple fact is that allotting production in any specific amount, or on the basis of acreage or other allocations of the market means that a capital asset has been created as a part of this economic unit. This is most evident in the present program of short-term leases and transfers of tobacco allotments and the transfer of rice allotments. It is to some extent also evident in the release and reapportionment program that is a part of the cotton program.

However, the most common evidence that these are capital assets is in the fact that anyone who purchases a farm today, even before the deal is seriously considered, determines the amount of the allotment of the crops that are a part of Federal programs in the area in which the land is located.

The liability is usually found in the inability of farmers to make the adjustments in production which their own personal situation might indicate would be most desirable. The abandonment of a share of a market for a crop would be the same as abandoning any other capital asset. Allotments that are marginal in nature tend to "freeze" a productive pattern into a marginal or submarginal operation. The consolidation of allotments into an efficient unit at present means that the marginal or submarginal land must also be consolidated and the liability that is carried with the allotment cancels out the economic advantage of the allotment. Due to all of these circumstances, the sub-

marginal and marginal farmer has no efficient alternative available. All will be eliminated.

A program to transfer allotments must deal with two major problems. First of all, it must permit the consolidation of small allotments into an efficient, family-sized farm-operating unit without requiring that the liability which is incurred by the ownership of marginal or submarginal land be included in the transfer. This, in reality, is what the issue is all about because there are transfers at the present time simply by deed. These transfers of allotments are just as real as any other transfer is, but the question is whether or not we can transfer allotments without the transfer by deed.

In the case of marginal or submarginal lands, the transfer of that marginal land simply is not advisable in any economic sense in many areas.

This kind of land may, and probably has, alternate uses which are more economically sound than the production of food products.

The sale of an allotment which is the cashing in of a capital asset can in some instances, provide the capital for the development of alternate usage for the marginal land. It also would enable some of the people who are at a retirement age to have additional retirement capital to enable them to live on the land without being required to invest in an economic operation to produce agricultural products. It will also permit some farmers who are now marginal to survive when their productive units are enlarged.

The other problem which is involved is the opportunity for the consolidation of productive resources into increasingly large units which tend to be progressively unrelated to the owner-operator farm concept. Adequate care must be taken in any legislation which permits a transfer of allotments, that an economic injustice is not done to many areas and the social problems which are thus created becoming greater than the value of the solutions which are obtained by the transfer of the allotments.

The Grange recommends that, consistent with its longtime support of the family farm and of efforts of those who are inefficiently sized to expand their resources and production to an efficiently sized operation, that transfers of allotments be permitted for the purpose of consolidating inefficient units into an efficient operation and that these transfers be permitted without the sale of the land being a necessary part of the transfer. This will necessitate the determination within States and counties of the size of operation that is considered to be efficient for all the crops that are involved. This has already been done in the case of sugar and there is no great reason that we can see for not pursuing the same course in terms of cotton, tobacco, rice, feed grains, and the other supported crops.

Transfers of such allotments should be made only with the permission of the ASCS committees who are in a position to determine the total allotments that are to be consolidated. Due consideration should also be given to the allotments that the purchaser already has for other crops. It would be inconceivable that one purchaser should be able to consolidate allotments for feed grains to bring him up to an efficiently sized unit and also be permitted to consolidate allotments for wheat and other crops that are under Government programs to the same extent.

Due recognition should be given to the problem which might be created by the loss of land by renters. In other words, some restriction in policy might well be provided regarding the sale of allotments to or by absentee landlords.

Maintaining our consistency in terms of special consideration being given to owner-operator farms, the Grange would not approve the transfer of allotments from farms that are already efficiently sized without the transfer of the land. This requirement alone would prohibit mass transfers of productive capacity from area to area and would almost eliminate the necessity for requirements that the transfers should not be outside of established political jurisdictions, whatever the level of this might be.

In general, we believe that a system of options should be set up which would permit the purchasers in the local area to exercise an option on a sale before the sale would be permitted outside the local area. The same set of options could also be instituted to protect the county from the loss of its productive capacities, and again at the State level.

In our judgment, there should be some consideration given to the possibility that allotments could be exchanged. Indeed, it might be possible that these transfers could be effected within existing legislation by State and county ASCS committees working together to improve the opportunities for profitable managerial decisions on the part of farmers in different areas of the State.

In this connection I would say it is of particular interest to Congressman Dole. Last fall when I was in Kansas, the Kansas State Grange was in session and this kind of a problem was being discussed there with men from eastern Kansas who said that "If we had an opportunity to increase our feed grain allotment we would be perfectly happy to give up our wheat allotment," and the fellows from the west end of the State were saying the same thing in reverse, but it is this kind of a transfer, of an exchange that would not increase the production of either crop, but it would allow both of them to be both types of farmers, to be more efficient by putting the production in the areas where they could more efficiently produce it. This is one of the things that I think ought to have some consideration. And I think probably in some instances it has had.

With the exception of the qualifications which we have suggested to any such legislation which would be enacted, we would agree that the other safeguards within this legislation which have been proposed would protect the existing rights and privileges of those who now have allotments and of the social structure which is built around the productive capacity of the existing farms.

We would also point out that this legislation should be broad enough to permit its application to any agricultural commodity which is controlled by legislation or which might, in the future, be controlled by the application of marketing orders through producer referendums. This would include milk, poultry, turkeys, and so forth. In the case of milk we are considering the class I base program at the present time. I would point out that the sale of bases has been going on in many areas of the States of the Nation where there are class I bases, and that this has been a means of a reasonably rapid readjustment in these areas of production and it has not created any

difficulties. It has been of pretty general benefit to the producers of the commodities that are involved. With the inclusion of the safeguards to protect the family farm, the rural community, and the managerial ability of American farmers, and the adoption of the safeguards already proposed in the legislation, the Grange would then support the passage of the legislation included in title V of the omnibus farm bill, H.R. 7097.

The CHAIRMAN. Thank you very much, Mr. Graham.

Mr. Heimburger, do you have any questions?

Mr. HEIMBURGER. No.

Mr. FINDLEY. May I ask one question?

The CHAIRMAN. Yes.

Mr. FINDLEY. On page 3 you state that the transfers of such allotments should be made only with the permission of the ASC committees. Would that not place a tremendous amount of discretionary authority in the hands of Government officials over the changing of property? The farmer could not sell unless he would get the permission of the Government officials. Could this not be abused by the Government officials?

Mr. GRAHAM. If you are thinking of property in terms of real property, yes. This, of course, at the present time has no control over that, nor would there ever be. It is only when the history is separated from the land that we get into the problems that are involved.

Mr. FINDLEY. This would be a property of considerable capital value.

Mr. GRAHAM. It would be a capital asset. But if we are going to protect some of the social values that I think all of us are interested in, in varying degrees, and if there is going to be a limitation on the basis of the average of the size unit that the Department has suggested, somebody has to determine what this is, and whether or not they are within the rules that are established for these transfers.

Mr. FINDLEY. It looks to me like it would be wide open to favoritism, one against the other and the like.

Mr. GRAHAM. Well, not necessarily. If they are doing it within rules. If they are just doing it capriciously, then we have other problems, too, but I am assuming that this will be done on the basis of rules. If, for instance, the average corn base in some area is 200 acres, and there are three people who want to get a corn base, although we are not talking about corn and wheat—this is only in terms of an example—that if it is three bidders who are here, and one has 250 acres, and one has 200 acres, and one has 150 acres, the only man eligible would be the man with the 150-acre base. This is not necessarily favoritism. This is staying within certain rules of the game.

When it comes to the fact that maybe there are two men who have 100-acre bases, who want to buy another 100 acres, then that decision, if this would only bring them up to the average, on who gets the 100 acres will be on the basis of who pays the most money. So this is the favoritism that comes from capital reserves, anyway.

Mr. FINDLEY. Thank you.

Mr. ABBITT. Are you saying that the committee would have the discretion to approve it?

Mr. GRAHAM. I think that they would have the discretion. They would approve it if it conformed to the rules that they had laid down in terms of the size of the operation that would be developed.

Mr. ABBITT. Would this committee lay down the rules and the regulations, would they set them up? Would they have that discretion?

Mr. GRAHAM. I think this is the kind of thing that ought to be determined by areas. I do not see how anybody can say what the size of a tobacco allotment would be from Washington, that is, as to the size of the allotment that is a family-sized unit, whether it should be three acres for all kinds of tobacco in all kinds of areas or not, or 30 acres for all kinds of cotton in all kinds of areas. There ought to be some discretion that is given within the State committee and then on down the line to determine what is the size in the area that makes some sense.

Mr. ABBITT. Are you going to do that by guidelines or how?

Mr. GRAHAM. I think there simply has to be some guidelines and then put the applicants up against the guidelines. And if they come within the guidelines they approve them. If they are outside they disapprove them.

Mr. ABBITT. Thank you.

The CHAIRMAN. Mr. Stalbaum.

Mr. STALBAUM. Just one question.

In other words, your suggestion on this is not too far removed from the general policy that Mr. Godfrey indicated when he spoke here today.

Mr. GRAHAM. That is right.

Mr. STALBAUM. Thank you.

The CHAIRMAN. Mr. Dole.

Mr. DOLE. I have just one question. I do not detect much enthusiasm on the part of the committee for this bill this morning. I wonder if you would support a version of the program for the transfer of allotments rather than to have the wide open authority under this provision—which would it be?

Mr. GRAHAM. I am not exactly sure what you are asking.

Mr. DOLE. We have had several suggestions for allotments to be transferred from one farm to another for the real purpose of consolidating the operation so as to be an economic operation.

Mr. GRAHAM. I think that is going on at the present time. What you are talking about does not solve the problem of the marginal farmer who does not simply have enough. In our judgment there must be some opportunity for the consolidation of the marginal allotments.

Mr. DOLE. Mr. Godfrey testified that as to reconstitution that you could have adjustments.

Mr. GRAHAM. That is right.

Mr. DOLE. Which would be more equitable and more practical?

Mr. GRAHAM. Yes.

Mr. DOLE. Do you have any objection to that?

Mr. GRAHAM. No.

Mr. DOLE. To that part of it?

Mr. GRAHAM. No.

Mr. DOLE. Thank you.

The CHAIRMAN. If there are no further questions, we thank you very much, Mr. Graham.

Mr. GRAHAM. Thank you.

The CHAIRMAN. Now we have Mr. Heidelberg with us and we will be glad to hear you now.

STATEMENT OF FREDERIC H. HEIDELBERG, RALEIGH, N.C.

Mr. HEIDELBERG. Mr. Chairman and members of the subcommittee, my name is Frederic H. Heidelberg. I am executive vice president of the North Carolina Cotton Promotion Association with central office in Raleigh, N.C.

This association is the certified cottongrower commodity organization in the State. It is supported by all cottongrowers in North Carolina under authority of a State agricultural commodities enabling act. In 1963 there were 72,099 cotton farm allotments in that State.

I am, also, executive vice president of Uplands Cotton Growers, Inc., a grower organization with broad support in the States of Alabama, Florida, Georgia, North Carolina, South Carolina, and Virginia. Its regional office is in Raleigh, N.C. In the southeastern uplands area in 1963 there were 319,663 cotton allotment farms. Support of this organization is on a voluntary basis. At the present time, although it is only 15 months old, more than one-fourth of the total crop in these six States is in support of this movement. Increasing support is developing month by month.

I appreciate the opportunity of appearing before this committee today. I come to testify in favor of title VI of H.R. 7097 entitled "Transfer of Allotments."

I voice to you support of title VI specifically in respect to cotton history allotment acreage. Support for it is predicated upon the safeguards which are in this proposal as written, namely:

1. Authority for transfer by sale of base acreage only within each county and State. It is unthinkable that it be otherwise.

2. Adjustment of the amount of acreage transferred will be made on a yield factor involving the productivity of the land involved in the transaction.

3. The Secretary would have authority to establish reasonable limits on the size of the resulting allotments.

Support for this proposal rests upon the situation which has developed over a long period of years by which the basic assets of cotton's agriculture has, in a wide area of the Cotton Belt, become separated from bona fide cotton farm families. I refer specifically to cotton history allotment acreage tied to the land by laws in effect since 1938.

Since 1938 our Nation has undergone many major changes. One of these involved the pattern of landownership, especially adjacent to growing urban areas. More and more erstwhile farms, once the site of self-sufficient family farms, are now hobby farms owned by doctors, dentists, lawyers, bankers, real estate firms, and the like. Cotton history acreage is tied to many of these and the agriculture of cotton long since discontinued. Cotton allotment history has been maintained through one technique or another by grotesque slow-motion maneuvering within the law.

Another development which has caused separation of cotton history acreage and bona fide cotton farm families is the growth of industry in the upper Piedmont Plateau of the Great Smokies, lower reaches of the Appalachian Range, and the Ozark Mountains. In this multi-State area (involving large portions of Virginia, the Carolinas, Georgia, Alabama, Mississippi, Tennessee, Arkansas, Louisiana, Oklahoma, and Texas), thousands of industrial workers are suburban dwellers on small inherited acreages. They have never farmed. They do not intend to farm. Nor will they sell their small acreage. Yet, by law some cotton history allotment acreage is a residual part of multitudes of these places. It dates back to the farming days of a father or grandfather.

One county in North Carolina is a classical example: No cotton gin operates in it; in 1950 there were six. No seed crushing plant exists; in 1950 there was an active one. No marketing or local warehousing system exists. Over 2,250 acres of cotton history allotment remain in this county. Almost half of it is unwanted, and has not been planted for years. The trend is toward industrial development. Agriculture, especially cotton's agriculture, is a dwindling enterprise. This county is typical of many in the Cotton Belt.

Yet within this specific county, in counties adjacent to it, and similar counties within the States named, there are multitudes of full-time bona fide family farms upon which some increased cotton acreage allotment is desperately needed to increase farm income. They need for Congress to provide a means to increase their farm productive capacity. It means the difference between solvency and bankruptcy. The increased production capacity needed must be upon a stable basis, otherwise the hazard of tooling up for mechanized efficiency in maintaining their farm enterprises presents a financial risk which cannot be taken.

It is the feeling of responsible cotton leaders across the area which I represent that a sale of allotment provision, safeguarded as it is in title VI of H.R. 7097, would provide an adjustment mechanism for the movement of an asset of cotton's agriculture into the enterprises of bona fide farm families.

In closing, Mr. Chairman, I will summarize the viewpoint contained in this statement by saying that a desperate need in the cotton belt as a whole, outside the lower Mississippi River Delta counties and the reclamation areas now producing cotton in the Far Western States, are laws and procedures which will bring actual cotton farmers and cotton acreage together in a stable way within each county and State in the defined area. With the safeguards contained in it title VI of H.R. 7097 will, it is believed, help accomplish this adjustment in respect to cotton acreage.

This committee and this Congress could render no greater service to this Nation within the agricultural sector than to accomplish this so that bona fide farm families will be strengthened in their enterprises.

I appreciate this opportunity to appear before this distinguished committee. Thank you for permitting me to do so.

Mr. POAGE (presiding). Thank you, Mr. Heidelberg.

Are there any questions?

Mr. Jones?

Mr. JONES of Missouri. At the top of the second page of your statement, in the second paragraph, you say, "Over 2,250 acres of cotton history allotment remain in this county. Almost half of it is unwanted and has not been planted for years."

How do they maintain their history without planting it in cotton?

Mr. HEIDELBERG. Well, from 1956 to 1959, Mr. Jones, you will remember that there was section 377 in the law which provided for the preservation of unused cotton acreage. In 1959 was passed a very equitable piece of law, in our opinion. It is designated Public Law 86-172. It unfroze this asset and permitted the release and reallocation of unwanted acreage. This is the answer, I think.

Mr. JONES of Missouri. It had to be planted once every 3 years.

Mr. HEIDELBERG. Once every 3 years—one-tenth of an acre once every 3 years to maintain the history. This has been true since 1959 and I think all the way back, too. By planting one-tenth of an acre once each 3 years one could maintain full allotment history.

Mr. JONES of Missouri. Since those farmers have no desire to plant cotton, they have been releasing it, and apparently there would be no desire, particularly in this particular county, to increase their production. Why would they not favor an opportunity to sell that allotment to the Government and let it be held in reserve until such time as it is needed—why would they not favor that?

Mr. HEIDELBERG. I presume that the individual people, possibly, might look with favor upon this and say, all right. But if you were to do that you would have a situation develop that might be defined by the trade as vertical diseconomy, which would take place within the State. Cotton requires a lot of processing. In this particular county I noted that the gins have disappeared. There are gins in the surrounding counties which are still used by those people who are still farming cotton in that area. That is one point. You would have a diminishing of the processing system from gins all the way through the marketing of cotton which would disappear. The area could never come back, even the one-half of the example county that is still in cotton production.

Then at the same time we have had development through this same period of years the necessity for larger units of farming. Family farms must expand to maintain the farm family operation and this unwanted asset has been needed.

In respect to your proposal of the Government buying up these allotments, I think that you would be putting a terrific pressure, sir, on a lot of other crops because the land would still be there. Immediately that the cotton acreage was bought up by the Government the land would go into the production of soybeans, feed grains, and other non-allotment crops. I would anticipate that it would put a terrific pressure on soybean prices in the State of Missouri.

I just want to point out that you are not going to abolish the land.

Mr. JONES of Missouri. They can plant it in soybeans now if they want to do so.

Mr. HEIDELBERG. If you remove this acreage completely by the Government buying it up, then those who have been planting it, not only on the land which was bought, but on the land that otherwise acquired the cotton acreage through reapportionment would go into other crops such as soybeans.

Mr. JONES of Missouri. Where is that cotton grown now?

Mr. HEIDELBERG. A good deal of it is being grown here and yonder all over the State. There is no way to follow such acreage. It goes to where it is actually wanted and needed and will be used by bona fide cotton-farm people.

Mr. JONES of Missouri. In other words, I take it that if your cotton gins in North Carolina are fewer in number than 10 years ago, did you not say?

Mr. HEIDELBERG. Yes, sir; we do have much better gins. We had a number of what we called peckerwood gins. I think you know the phrase. We now have a number of a quarter-of-a-million-dollar gins that are able to handle our crop very efficiently.

Mr. JONES of Missouri. Well, actually, North Carolina is actually going out of the cotton production, though, is that not the fact—the trend has been to that effect?

Mr. HEIDELBERG. The facts do not indicate that. We raised more bales of cotton in 1964 than we have since 1956. We had the largest yield of cotton per acre in the history of cotton grown in the State of North Carolina. I would not think that would indicate that we were going out of it.

Mr. JONES of Missouri. I was saying that based on the fact that so many of your people did not want to plant cotton.

Mr. HEIDELBERG. I was talking about one given county which has been a highly industrialized area. In all of the rest of the States, particularly in the agricultural areas, there has been an expanding dynamic cotton production. In 1959, we went from zero in mechanical picking of cotton until in 1964 there are 1,169 mechanical harvesters which have been purchased. There is enough mechanical power to pick 75 percent of our crop. I do not think this is a picture of backwardness in cotton production. I think it is a movement forward.

Mr. JONES of Missouri. It might be a movement forward and still it might slow down the cotton production. Thank you.

Mr. POAGE. Thank you.

Mr. HEIDELBERG. Thank you.

The CHAIRMAN. Mr. Reuben Johnson is here. You said that your delegation cannot be here tomorrow morning.

Mr. REUBEN JOHNSON. We would like to have Mr. Red Johnson appear today if possible.

Mr. POAGE. We will be glad to recognize Mr. Red Johnson. Bring your group up and we will see how far we can go.

Mr. REUBEN JOHNSON. All right. Thank you.

STATEMENT OF LEWIS J. JOHNSON, PRESIDENT, ARKANSAS FARMERS UNION

Mr. LEWIS J. JOHNSON. Mr. Poage and members of the subcommittee, I am Lewis J. Johnson, president of the Arkansas Farmers Union and testifying for the National Farmers Union.

We want to go on record as opposing title VI of H.R. 7097.

A lot of the reasons for doing this have already been brought out this morning, but we think probably that the best solution for our cotton program, instead of selling it and transferring it around and plant-

ing the commodity that we already have a surplus of, that they should freeze it.

For example, in 1964 we had 1,500,000 acres that were released and reapportioned. In 1963 we had 1,600,000 acres.

Now, then, there is no use to kid ourselves about the cotton farmers who do not know that we have a surplus. They do. But they are producers. They must produce to survive. Of course they are going to plant every acre of cotton that they can. We cannot blame them for that because the cost of everything that they buy has gone up.

In Arkansas we released 7,699 acres from the hill country. That was transferred over into the delta counties. For example, Newton County, which is up in the beautiful Ozarks, I can tell you that cotton has not been up there since the Civil War, but it went into the Delta area where you get a bale and half or two bales to the acre.

So what we have actually done, it seems to me like, is that we have increased our surplus of cotton by forcing our farm people and the State, if you please, to plant this cotton allotment when they did not want to plant it.

We think, Mr. Jones, if this committee feels like it, the Government should buy some of these acres to take them out of production and that would be a wonderful idea, but all we are doing now is not doing it and if you open it up for resale I promise you that we will have a hassle in Arkansas and there is no question about who will get the cotton allotment. That will be settled. Now, in the first place, we do not think that we should be forced to plant cotton that we do not want to plant today. We ought to freeze the acres. Do not let Arizona, New Mexico, and California have them. We would not mind Texas and some of the other States having them.

(Laughter.)

We do not want it to go West, Mr. Poage, where they will produce more. And we have to furnish them more water. So let us quit forcing our people in the State to plant this cotton that we do not need. It just does not make any sense, Mr. Jones. If the committee feels that we ought to take it out and pay some of these people for it—and I doubt whether it is worth a whole lot or not—that may be the thing to do. The man has not been planting it and by looking at some of these counties where this acreage was transferred over into the Mississippi Delta, the counties that it was transferred from certainly it is no capital asset to the land.

Let me give you a figure, and then I am through. If we freeze these 1,500,000 acres that we have been transferring around and planting, Mr. Jones, in Arkansas this year by planting the domestic allotment alone, we kept out of production 54,862 acres. So it would seem to us that if we freeze our acres, and with the domestic allotment that we have that would take care of our cotton program or, at least, it would give us a chance to look on down the road before we make any drastic change. But we are opposed to the sale and transfer as put forth in title VI of H.R. 7097, unless the Government wants to buy it and feels obligated to pay the landowners something for it.

Mr. POAGE. I thank you.

Are there others of your group who you would like to have heard?

Mr. REUBEN JOHNSON. Mr. Chairman, I just want to be fair to my witnesses here. They would all like to make a brief statement. We are going to be available tomorrow if necessary, to this group.

Mr. POAGE. We will hear them if we can. If we cannot, we will not.

Mr. REUBEN JOHNSON. I would like to call then on Mr. Norbert B. Schlegel of Shamrock, Tex.

Mr. POAGE. We will be glad to hear from you.

STATEMENT OF NORBERT B. SCHLEGEL, SHAMROCK, TEX.

Mr. SCHLEGEL. Mr. Chairman and members of the committee, I am Norbert B. Schlegel from Wheeler County, Tex. I am, as the farmers in our area, a typical operator who leases two or three 15-acre allotments and 39- and 54-acre allotments to build himself an economic unit. But he cannot get a written lease on this land because the landowner knows that when the Government program comes in he can cut out the tenant and take the Government payment and leave the tenant out. So there is no protection built into this bill for the tenant.

And the loss of the cotton leases would cause a great loss to the entire community. We have a new hospital and a new school and a proposed new hospital and new school, and we could not pay for the bonds that we have voted for these with the loss of the cotton.

Thank you.

Mr. POAGE. Thank you very much.

Mr. REUBEN JOHNSON. I would like now to point out that Mr. Schlegel is from a dryland area in Texas. I would now like to call on Mr. H. W. Maddin of Hamlin.

STATEMENT OF H. W. MADDIN, HAMLIN, TEX.

Mr. MADDIN. Mr. Chairman and members of the committee, I represent the local farmers union in my county. I have been thinking a lot about the things that we are proposing. We are in a dryland area there—75 percent of the local people in Jones County are tenant farmers. They will be affected very much by the sale of leases on cotton acres, because they will have to move into other counties, which will create a lot of problems in our cities, with no doubt, which would be very much of a poverty deal that will come up.

I also represent 12 counties in the rolling plains cotton area which is very much opposed to this because we have oil mills and gins that we have purchased and if this cotton is transferred out of our area they cannot pay for these mills and things that we have gone into debt for.

Our local merchants, as this cotton moves out of our locality, which it will, because the farmers in this area are tenants and will not be able to even buy this acreage even if they wanted to, because we have been dryland farmers and have been hard hit and we cannot get the financial support to buy all of this acreage that they are saying would help out the small farmer, which is all of the acreage that will be bought up by the larger farmers or the syndicates and it would be moved to the high plains where they have irrigation and it will create very much of a hazard and a hardship in our part of the country where the local farmer is a tenant and most of us try to make a living farming. Thank you.

Mr. POAGE. Thank you very much, Mr. Maddin.

Mr. REUBEN JOHNSON. We have four representatives from peanut areas. I would like to call Lyndell F. Coan of De Leon, Tex.

Mr. POAGE. We will be glad to hear from you now.

STATEMENT OF LYNDELL F. COAN, DE LEON, TEX.

Mr. COAN. Mr. Chairman and members of the committee, I am Lyndell F. Coan, a peanut farmer of Route 1, De Leon, Tex., and I speak for the farmers, merchants, and professional men and women of Comanche County, Tex. These people through their several organizations have selected me to represent them in this matter, and by public subscription, have contributed the money to pay my expense on this trip.

The purpose of my appearance before this committee is to express our concern and opposition to section VI of the proposed Agriculture bill H.R. 7097—section 601, which would authorize the transfer of allotments by sale or lease. We believe that this procedure would be a death blow to the economy of our area and would add to the commodity surplus problem immediately and greatly. Following are some of our reasons.

Peanut allotments would immediately be purchased and moved to more productive land in the irrigated regions of the State. Such action would remove the major source of income from Comanche County. It would indeed be a death blow to the economy of our area.

Most of my neighbors rent a majority of their peanut land as I do myself. I own a 60-acre farm with 28-acre peanut allotment and rent 300 acres of peanut land. The price of land prohibits me from owning land and enough equipment and capital to operate. If allotments are to be sold and become a negotiable asset I will not be able to compete with sources that have capital to buy these allotments. This provision of buying and selling allotments, if passed, would open the door to allow dealers, persons who have no intentions of using the land or allotments for their own farming operations, to make huge profits at the expense of the farmer. Ninety-one percent of the sale of crops in Comanche County is from peanuts and if these allotments are sold, they will certainly leave our county of dry land farming to higher production irrigated counties, causing a complete shift and turnover of our community.

Title VI would cause big farmers to get bigger, and the family farm would suffer. Hardship in the poorer areas would be increased at a time when ways are being sought to improve their conditions. We oppose title VI and request its elimination from the bill. We feel certain that our economic life in Comanche County depends on it, and that it is bad farm legislation in general.

Mr. POAGE. Thank you very much.

Mr. REUBEN JOHNSON. Mr. Chairman, I would like now to call next a businessman from Texas, Mr. E. O. Kizer, Rising Star, Tex.

Mr. POAGE. We will be glad to hear from you now, Mr. Kizer.

STATEMENT OF E. O. KIZER, FARMER AND STOCK RAISER, PRESIDENT, KIZER TELEPHONE CO., INC., AND VICE PRESIDENT OF RISING STAR DEVELOPMENT CORP.

Mr. KIZER. Mr. Chairman and members of the committee, I am E. O. Kizer, a resident of Rising Star in Eastland County, Tex., a farmer and stockraiser, president of the Kizer Telephone Co., Inc., and vice president of the Rising Star Development Corp.

The Kizer Telephone Co. has about 2,000 stations, of which 750 are rural stations serving Rising Star, Cross Plains, and May, Tex. This region's principal money crop is peanuts. The telephone company has a \$965,000 REA loan.

I firmly believe that any change in the peanut allotment regulation would be detrimental to the communities in which this telephone company serves. The board of directors of this company also are in agreement that this allotment change would be harmful to the economic conditions existing in these communities. We feel that about half or 15,000 acres of our peanut allotment would be transferred to other counties. We are concerned that, should this happen, our loan, and that other FHA, and SBA-financed projects might also experience difficulties. We feel that all business establishments, feedstores, insurance agencies, service station operators, would be adversely affected. Income from peanut farming makes up a large part of the total economy of our area.

In a 10-mile radius of Rising Star, this amounts to approximately one-half to one million dollars per year, depending upon the growing conditions. We object strongly to the proposed section 6 of this bill.

I have several letters here and to save you time I can offer them for the record. One is from an implement dealer. One is from a garage service station owner. Here is one from a very prosperous farmer. I have several others.

Mr. POAGE. I would like to get that statement of the "prosperous farmer."

You can put them in the record. I am interested in that "prosperous farmer," however—"prosperous farmers" are so scarce in most sections.

Mr. KIZER. You might have a different definition for that. You know that farmers are a peculiar breed of their own. You know that you could not pay that farmer enough money to come up here and do your job. It would not be enough for him. He likes to farm. Prosperity for one man is something which means something to him in one sense, whereas to you it might not be worth anything. There are different ideas about this. But, anyhow, here is what he and his wife said.

Mr. POAGE. You can put it in the record. All I am trying to get or was trying to get is that I do not think that there are very many prosperous farmers in the country.

Mr. KIZER. I will just file these for the record.

Mr. POAGE. Yes. Without objection that may be done.

(The letters dated May 17, 1965, follow:)

RISING STAR, TEX., May 17, 1965.

Congressman COOLEY,
Chairman, Agricultural Committee:

We are Marion and Marjorie L. West of Brown County, Tex. We own and operate farms in Brown and Comanche County.

We depend on our peanut crop for our money crop on the farm. Without the peanut hay we will not be able to keep our livestock, which consists of cattle and goats.

We firmly believe that any change in the peanut allotment regulation would be detrimental to our community.

We strongly object the proposed section 6 of this bill.

MARION E. WEST.
MARJORIE L. WEST.

SHULTS IMPLEMENT Co.,
Rising Star, Tex., May 17, 1965.

Congressman COOLEY,
Chairman, Agricultural Committee:

In regard to the bill now pending about the sale or transfer of allotted peanut acreage to be sold out of the county: Eastland County is one county that cannot afford to loose any allotments, as we are in a locality where we are just getting by farming now. We personally, are a small implement business and to cut our farming down would be disastrous for us.

In the past 2 years, two hardware and implement houses have gone out of business. If you can pass a law that would permit the allotted acres to be sold within each county, that would not hurt our economy. It would help the farmer dispose of his allotment to someone who is equipped to farm on a larger scale more economically.

We hope you will give this your consideration, and not cause us to go out of business because of lost peanut acreage. If this happens, our farming customers will have to quit farming and move away.

CECIL SHULTS.

BUTLER TEXACO STATION,
Rising Star, Tex., May 17, 1965.

Congressman COOLEY:

As a businessman in Rising Star, Tex., I oppose section 6 of this bill to transfer peanut acreage allotments to other counties. We cannot afford to lose these allotments in Eastland County. Most of our economy is based strictly on peanut farming. If we lose this, I will probably be forced to go out of business. Please give this bill your serious consideration. Oppose section 6 of this bill.

Yours truly,

ROBERT R. BUTLER,
Owner and Operator.

STATEMENT OF W. E. TYLER, PRESIDENT OF FIRST STATE BANK, RISING STAR, TEX.

Rising Star is a typical central Texas smalltown community located in an area embracing a portion of Eastland, Brown, and Comanche Counties in what is known as the Cross Timbers section of Texas. I have been actively engaged in the banking business in Rising Star since June 10, 1910, and am, of course, chief executive officer of the only bank remaining in our community. (Prior to the depression of the 1930's there were three banks here.)

Up to approximately 1915, this section raised cotton as its principal money crop, during which time there were five cotton gins serving this area. The infestation of boll weevil forced our farmers out of the cotton business and we had to resort to another money crop.

As of this writing, the principal money crop for farmers in this area is peanuts; and, in my opinion, the adoption of title VI in the proposed agricultural bill would be disastrous to the many farm families in our area. We cannot sustain ourselves economically in the absence of the principal money crop if the transfer of peanut allotments can be made by lease or sale from one county to another.

The loss of peanut allotments to this area of Texas would inure to the benefit of farmers living in irrigated sections of our State and would create an economic disaster not only to our local farmers and farm families but to our various business interests as well.

At this time, Rising Star has only one industry, a peanut drying plant. This plant would be forced out of business and many small farmers would be forced to abandon their farms and seek employment and reside elsewhere.

Mr. REUBEN JOHNSON. I would like now to call on Mr. Oral Davis, of Rising Sun, Tex.

Mr. POAGE. We will be glad to hear from you, Mr. Davis.

STATEMENT OF ORAL DAVIS, FARMER, RISING STAR, TEX.

Mr. DAVIS. Mr. Chairman and members of the committee, I am Oral Davis, farmer, Rising Star, Tex. I farm 330 acres with 112-acre peanut allotment, or about one-third of the cultivated land. My cotton allotment is only 0.9 acre. I have kept records for 30 years and I find that peanuts is our only dependable cash crop with which to pay our debts and educate our children.

However, there are those who, for personal reason, would welcome the opportunity to sell their allotment or buy other allotments, if the price were right. Already we have people with money to invest who own irrigated land at Seminole and other places buying farms with sizable peanut allotments and getting ready to move the allotments out of the county as soon as it is made legal.

I submit that if allotments are considered a negotiable asset, that it would open the door to corporation farming taking the place of family-type farming. If title VI of the pending agricultural bill is passed in its present form, it would make it possible for large money interests to accumulate sizable acreage of cotton allotments or peanut allotments, thereby weakening the position of the family-type farm. This action would lead to more surplus and more acreage cuts.

I am here today in the interest of our community and in the interest of the family-type farmer. If title VI is passed in its present form, many would be driven off the farm to seek a new way of life. There would be a need for a large rehabilitation program.

It seems highly inconsistent to me for the FHA to loan three-fourths of a million dollars to 1,500 farm families in Eastland County to strengthen their position and help them sustain themselves, and then have legislation passed which would weaken their position and hasten the day when the family-type farm would be as scarce as a backyard flock of chickens today.

I propose that you strike out that portion of title VI pertaining to the transfer by sale, lease, or other means of acreage allotments or base acreages.

I believe that the release and reapportionment is working satisfactorily.

This trip is being financed by friends and neighbors, who are very much interested and concerned about this bill.

I have a statement here that I would like to comment on. It is a quotation from Secretary Freeman that I took from a farming magazine. He said:

Secretary of Agriculture Orville L. Freeman told Congress the purpose of this provision for selling or trading acreage allotments was "to enable small farmers with the capacity and desire for growth to acquire the resources they need for an adequate-sized family farm operation."

Freeman said the provision also "would insure that those who seek to earn a decent living in other than farming or who wish to retire will receive a fair and just compensation for their assets."

The family-type farm would not be able to acquire this additional allotment to get an economic family farm unit, because he could not afford to pay the price for this allotment in our country.

Thank you.

(The article referred to follows:)

SELLING ACREAGE ALLOTMENTS

The President proposed that farmers be permitted to sell, lease, or transfer by other means "acreage allotments, base acreages, and sugar proportionate shares which have been established under Federal law."

Congress was told that this would include the transfer of allotments from one farm owned by a person to another owned by him. If the Secretary of Agriculture determined such transfer might impair crop production control programs, he would have the authority to disallow the transfer.

A farmer proposing to sell his allotment would first have to obtain the permission of any persons holding mortgages on his land. The transfer of an allotment, base acreage, or sugar proportionate share also would include the acreage history and marketing quotas attributable thereto, the President said.

Secretary of Agriculture Orville L. Freeman told Congress the purpose of this new provision for selling or trading acreage allotments was "to enable small farmers with the capacity and desire for growth to acquire the resources they need for an adequate size family-farm operation."

Freeman said the provision also "would insure that those who seek to earn a decent living in other than farming or who wish to retire will receive fair and just compensation for their assets."

Mr. POAGE. Thank you, Mr. Davis.

Mr. REUBEN JOHNSON. I have one more. Mr. E. W. Walker of De Leon, Tex., who is on the board of directors of the Southwest Peanut Growers Association. He is here and he can identify the group that he speaks for.

Mr. POAGE. We will be delighted to hear from you, Mr. Walker.

STATEMENT OF E. A. WALKER, DE LEON, TEX.

Mr. WALKER. Mr. Chairman and members of the committee, we have 54,000 acres of peanut allotment in our county. The farmers down there say that it will disrupt their economy and will hurt a lot of the farmers who are renting and leasing their land.

We have a program that is working pretty well and this will break it down. We are very much opposed to this, the farmers and the people in our community.

I thank you.

Mr. POAGE. I thank you.

Is there anything further, Mr. Reuben Johnson?

STATEMENT OF REUBEN JOHNSON, NATIONAL FARMERS UNION

Mr. REUBEN JOHNSON. Mr. Chairman and members of the committee, we polled all of the board of directors of the National Farmers Union and it is kind of ironic, even though many of them are from the wheat and feed grain part of the country, the farmers in the National Farmers Union are unanimously in opposition to permitting the sale of allotments.

I would like to put into the record some letters that I have received from our board members at this time if I may.

Mr. POAGE. How many? Do not put in as many as I have received.

Mr. REUBEN JOHNSON. I have just a very few.

Mr. POAGE. Without objection, they will be made a part of the record.

Mr. REUBEN JOHNSON. I have several of them. Several others here have letters which are not very long that they would like to include as a part of the record, with your permission.

Mr. POAGE. Without objection that may be done.

(The letters referred to follow:)

Farmers Union in a poll, conducted by the Division of Legislative Services, National Farmers Union, 1012 14th Street NW., Washington, D.C., of the Farmers Union State organizations found that the sales or transfer of allotments was unanimously opposed.

Excerpts from three of the replies which reflect the general attitude of Farmers Union State organizations follow:

Mr. Elton L. Berck, president, Farmers Union of Nebraska, Omaha, Nebr.:

"In answer to your question concerning the sale of quotas and allotments, the Nebraska Farmers Union at its February convention again adopted this policy, '*Resolved*, That all acreage quotas and allotments be tied to the land.'

"This is the nearest we can come to giving you an opinion concerning our position. We feel that we would definitely oppose any proposal to sell or otherwise dispose of such quotas and allotments."

Mr. Jay Naman, president, Texas Farmers Union, Waco, Tex.

"I just returned from 14 meetings on the South Plains and I questioned each group that I met with as to their views on sale of quotas or sale of allotments. There was little or no support for any type permanent sale of allotments regardless of safeguards.

"I even discussed this with the commodity leaders that met with me concerning a reconciliation of viewpoints on the total program, and there was no support in this group for sale of allotments.

"The more I think about the whole idea, the more I am concerned that sale of allotments might open a pandora's box, and I hope that we can avoid any such legislation."

Mr. Wiley F. Martin, Logan County National Farmers Union, Denver, Colo.:

"There should be no sale or exchange of allotments, but instead if a farmer is not going to raise a particular crop, he should report to the Agriculture Soil Conservation Service office January 1.

"No allotment of any kind should be sold from a farm at any time or under any circumstances. Neither should a farm loose an allotment of any kind because of nonproduction. This will result in a wholesale trading in certain commodities, depleted value of farms and promotion of large allotments, corporate farms, and a restriction of small families returning to small farms because the allotments have been sold and there is very small or no allotments at all on the farm. Reuben, it defeats the family farm principle for which we are fighting."

GREAT FALLS, MONT., *March 29, 1965.*

REUBEN JOHNSON,
*Director, Legislative Services,
National Farmers Union,
Washington, D.C.:*

We are very much opposed to sale of agricultural commodity quotas and acreage allotment under the Federal farm programs. Such proposed sales would hasten the end of the family farm pattern of agriculture in America.

LEONARD KENFIELD,
President, Montana Farmers Union.

REUBEN JOHNSON,
National Farmers Union, Washington:

Since Elizabeth read your wire to me yesterday, and I told her to write you conditional approval of the sale of allotments with safeguards, I've had time to consider the implications more carefully. I'm afraid that unless adequate safeguards are provided to prevent movement of allotments from less productive

areas, the policy would lead to more overproduction. Also, the movement of acreage to areas of high productivity might have the same undesirable effects on existing production areas as would a vast "soil bank" plan. I fear loopholes and gimmicks to circumvent the intent of the Congress could well make the sale of allotments and quotas very dangerous.

Sincerely,

JAY NAMAN.

SOUTH DAKOTA FARMERS UNION,
Huron, S. Dak., March 29, 1965.

Mr. REUBEN JOHNSON,
Director, Legislative Services,
National Farmers Union,
Washington, D.C.

DEAR REUBEN: In response to your letter seeking a consensus on the sale of allotments, I can only speak for wheat and feed grain producers. There is little doubt in my mind but what South Dakota farmers would oppose such a program.

Probably the most obvious defect and self-defeating feature of the proposal is the fact that it would put more acres into wheat and feed grain production. Many farmers who are not now planting their small allotment would no doubt sell it to an operator who would, thereby bringing about a situation where virtually every acre would be planted.

While there may be some advantages to the sale of allotments it seems to me that the disadvantages and bad effects that would accrue would far outweigh the good. Subject to any new innovations that Johnson may project into the program, I am for leaving the allotment with the land.

Sincerely,

BEN H. RADCLIFFE,
President.

MINNESOTA FARMERS UNION,
St. Paul, Minn., March 29, 1965.

Mr. REUBEN JOHNSON,
National Farmers Union,
Washington, D.C.

DEAR REUBEN: Our view of the question which you pose in your letter of March 24 is that the language of the resolution adopted at Chicago clearly excludes the idea of sales of quotas or allotments.

The resolution refers only to transfer of allotments and quotas.

We believe that a farm commodity quota or allotment should not be considered to be the private property of the holder.

The transfer of a quota should be permitted only by the county or State ASCS committee. That is, if a producer does not wish to retain all or part of his quota or allotment, it should revert to the county ASCS committee and should be reassigned within the county if there are any producers seeking quotas or allotments in that county. Only if there are no takers, should a quota or allotment be permitted to be transferred to another county. Such a procedure would help keep quotas and allotments in the hands of smaller producers.

One further objection which we would have to salable quotas, would be that, in such a situation, all the allotments or quotas would eventually get into the hands of larger and larger operators. Under salable quotas, you would probably have nearly 100 percent planted, while under the present system, there are some of the producers who underplant or perhaps do not use their quota at all, which results in some reduction in overall production. I am sure that Minnesota farmers are not for salable quotas.

Sincerely,

EDWIN CHRISTIANSON, President.

Mr. REUBEN JOHNSON. That concludes our testimony.

Mr. POAGE. Thank you very much. We are very much obliged to you.

That will conclude the hearings this morning. Tomorrow morning the committee will meet at 10 and continue the hearings.

The first witness will be the Honorable Omar Burleson, of Texas.

The committee stands adjourned until tomorrow morning at 10 o'clock.

(Whereupon, at 12:25 p.m., the committee adjourned to reconvene at 10 a.m., Wednesday, May 19, 1965.)

TRANSFER OF ALLOTMENTS

WEDNESDAY, MAY 19, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:15 a.m., in room 1310, Longworth House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, Abernethy, Abbitt, Jones of Missouri, Stubblefield, Purcell, Olson, O'Neal, Stalbaum, De La Garza, Vigorito, Redlin, Bandstra, Greigg, Callan, Dague, Belcher, Teague of California, Findley, Dole, Burton of Utah, and Walker.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; and Francis LeMay, consultant.

The CHAIRMAN. The committee will please be in order.

We are honored this morning to have a very distinguished colleague with us whom I take pleasure in presenting, the Honorable Omar Burleson.

STATEMENT OF HON. OMAR BURLESON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. BURLESON. Mr. Chairman and members of the committee, I am most grateful for your courtesy in giving us an opportunity to present our views regarding title VI of H.R. 7097 which is now pending before the committee.

I know you have some tremendous problems facing you. There was a day when this committee had as its principal interest agricultural economics. Developments have occurred, the evolution of time, so you are now, it seems to me, into the social side of a great problem—the great problem of how people are affected who make their living from the soil. And for that reason, I know that your work and your activities become more complicated as time goes on.

I want to stress for just a few minutes the social aspect, particularly the situation which will confront peanut growers should title VI of the measure you are considering be approved.

The peanut industry which is prominent in the area which I represent here in the House of Representatives, is truly “small business”—the growers of peanuts anywhere in the three principal areas are really “small farmers.”

The land on which peanuts are grown in the Southwest—and I assume that this is somewhat peculiar to where peanuts are produced anywhere—has little or no opportunity to be planted to diversified

crops. When peanut allotments are permitted to be sold or transferred to another area, it leaves the land completely abandoned, so far as its use is concerned. You cannot do anything else with it.

The question arises of course, well, why should not a man have the right to do with this thing called allotment, which attaches to his land, the property he owns, as he pleases? That is the first question and it is a legitimate one.

To begin with, consider first the social aspect of the issue. The absentee landowner sells his allotment. His tenant who is trying to make a living for his family can do nothing else but migrate to the next largest community, to the city, and to compound the problems which we all know exist in those areas, such as unemployment, more school problems, more housing problems. The community he left dies.

This trend, as you well know better than I, is taking place, anyway, but to aggravate it by permitting this sort of thing as provided under title VI of H.R. 7097, as I understand it, would certainly hasten the time when we would eliminate a lot of the farms.

I understand that some time ago someone did advocate that maybe we should get rid of about 1 million farmers in this country. They did not say just what should be done with them.

The CHAIRMAN. Two and one-half million.

Mr. BURLESON. Two and one-half million.

The CHAIRMAN. Involving about 30,500,000 people.

Mr. BURLESON. I did not recall the number of people. It is against the law to shoot them, that is for sure. What are you going to do with them?

They go into the cities, as I say, and compound all of these problems we already have. That is the social aspect of this thing which, I think, is terribly serious.

This thing is happening natural enough as it is without aggravating the situation.

There are two major considerations involved. This is like apples and bananas—I shall not get into another subject, which is another consideration, but the proposal to eliminate skip-row planting of cotton in dryland areas is another aggravation of these conditions which will hasten the day of greater complexity and social upheaval. And it affects everyone, not the farmer alone, but the entire community and finally the entire Nation.

In this particular area, in my district where peanuts are produced, we have the REA, the rural telephone, the banks who have made loans to the farmers, the small businessman—it is a chain reaction. They will all disappear, and the community is dissipated. It leaves a void that cannot be filled. There is no substitute for it. It destroys that type of community and the type of social structure which has made us a great people and the great country we are. Debts cannot be paid. Government loans to these enterprises cannot be repaid.

I do not want to get into any lecture, because you are well aware of all of these things, but I just say that this is, obviously, a social problem, as well as one that deals with agricultural economics.

I would not at all condemn bigness in itself just because of bigness, but the trend is for about everything to become bigger, which means that the small is getting smaller until it just disappears.

I think there will surely be a hastening of this situation should title VI be adopted as it is now written.

Mr. Chairman, again I appreciate your courtesy in permitting me to have these few minutes. I have several constituents here whom you were kind enough to hear yesterday. I was not aware they were going to be heard yesterday or I would have been here with them. However, I am most grateful for your courtesy to them. Some are here this morning, and I know you welcome and respect their views on this matter of such vital concern to them.

Unless you have some questions for me, Mr. Chairman, with your permission I will appreciate you hearing Dr. Sydney C. Reagan who represents the Southwestern Peanut Shellers Association. He is to speak for the Southwest peanut industry, if you would be kind enough to hear him.

The CHAIRMAN. We thank you very much for your appearance. We will be very glad to hear from Dr. Reagan now.

Mr. BURLESON. Thank you.

Mr. PURCELL. Could I ask a question?

The CHAIRMAN. Yes.

Mr. PURCELL. In the two or three counties in your particular section that you have the honor to represent, is it not true that some several years ago, for instance, it was quite a cotton producing area, but as I understand it there is not a single cotton gin in your section now?

Mr. BURLESON. That is correct.

Mr. PURCELL. I should like to get into the record some of the things that you have been talking about.

Do you know of any crop in your district, with the type of soil that you have there—any crop that they can plant and be grown in that soil to replace peanuts? Cotton has gone—is there any commercial crop that the soil will permit them to grow?

Mr. BURLESON. There is no row crop, that I am aware of, with which they could replace the peanut crop. The most they could do—and this would be something that would probably require a syndicate type operation—would be to throw many acres together and plant it to grass and go into raising cattle, and that would be an operation that the peanut farmers and the individuals there would not be able to do. Not many individuals would have finances for that. There would be very few who would be able to turn to other types of operations.

Mr. PURCELL. As to the transfer of these allotments to the high plains and other places, is it your judgment that this type of transfer would occur in tremendous numbers and just dry up the community more and that even more of them would disappear?

Mr. BURLESON. If the allotments, acre for acre, were exchanged into those areas where peanuts can be produced, such as on the high plains where they have an abundance of underground irrigation water, there is no question that the production would be vastly increased. That would be the purpose for it.

Mr. PURCELL. It would do that, increase the production.

Mr. BURLESON. I certainly think that would be the case.

Mr. PURCELL. Would you not think that would be the case?

Mr. BURLESON. Yes; and I think that maybe it has been mentioned by someone that four times as much could be produced on an acre in the area which would be irrigated. Someone has mentioned the alter-

native of trading 1 acre for 4, but it seems to me that the result would be the same, insofar as the community where the allotment left. You still would have a disappearing community—a disappearing people, who would just have to leave; that is all. And, in addition, it seems to me it would be so complicated, as a matter of administration, that it would be virtually impossible to do it with any satisfaction.

Mr. PURCELL. I do not want to cause a man argument about how much it will produce on the land to which it is transferred as to compared to the land from which which it came.

Mr. BURLESON. I think it would be very difficult and very complicated to administer.

Mr. PURCELL. Thank you, sir.

The CHAIRMAN. Thank you very much.

Mr. BURLESON. Thank you, Mr. Chairman. Thank all of you.

The CHAIRMAN. We will now hear from Dr. Reagan.

It is good to have you here, Dr. Reagan.

STATEMENT OF SYDNEY C. REAGAN, GENERAL COUNSEL, SOUTHWESTERN PEANUT SHELLERS ASSOCIATION; ACCOMPANIED BY WILLIAM V. RAWLINGS, EXECUTIVE SECRETARY AND GENERAL COUNSEL, ASSOCIATION OF VIRGINIA PEANUT & HOG GROWERS, CAPRON, VA.

Mr. REAGAN. Mr. Chairman and members of the committee, I appreciate having the opportunity to appear before you this morning. I am general counsel for the Southwestern Peanut Shellers Association, and in the interest of conserving your time, two other associations in the peanut industry have asked to be included in the statement that I am presenting this morning. These two are: The Virginia-Carolina Peanut Association representing the peanut shellers in Virginia and North Carolina, and the Virginia Peanut & Hog Growers Association, representing the peanut growers in Virginia. Mr. Rawlings, executive secretary of the Virginia Peanut & Hog Growers Association is here this morning, and when I am through, if you care to ask him any questions, he will be happy to answer them.

Mr. ABBITT. I would like to have Mr. Rawlings come to the witness stand to sit with Mr. Reagan.

The CHAIRMAN. You might do that.

Mr. ABBITT. It will save a little time to have him come up now. We appreciate his being here very much.

Mr. REAGAN. I am speaking on behalf of this group whose members buy most of the peanuts produced by farmers in Texas and Oklahoma, store them, shell and grade them, and sell them to manufacturers of peanut products. Our members are small businessmen generally located in small farming communities. The members of our associations are vigorously opposed to title VI of H.R. 7097.

I am appearing in opposition to title VI of H.R. 7097. Our people feel that peanut allotments belong on the farm where they are presently situated. These peanut allotments have been earned by farmers in the Southwest who have planted peanut crops year after year, even during the prolonged drought of the 1950's. The 357,000 allotted acres in Texas and the 140,000 acres in Oklahoma are now spread

throughout some 136 counties in Texas and 47 counties in Oklahoma. With the exception of three counties, these allotments are grown under dry land production. In all of these counties which have substantial allotments, peanuts are an important economic factor. In Texas there are 21 counties which have in excess of 5,000 acres of peanut allotment. An additional 17 counties have over 2,000 acres. In Oklahoma there are 20 counties with more than 2,000 allotted acres. Their value is currently widespread and benefits some 31,000 growers and many, many communities and counties. If the sale or lease of allotments were permitted as proposed in this bill, we fear the movement of this acreage to a few counties where the peanuts would be produced under irrigation. Fewer growers, fewer communities, and fewer counties therefore would benefit if this should occur. There might be some short-lived financial advantage to those selling their allotments, but in the long run we believe that the effects would be detrimental.

Over the long range, value of the land would be decreased thus lowering the subsequent sale value as well as the annual income from it. Tax valuations to the State, county, and school districts would likewise decrease substantially. We just do not believe that a plan permitting permanent movement of peanut allotments is sound economically when you look past the first year.

We believe further that the permanent sale and transfer of allotments would add additional complications to the unemployment problem. Peanuts are the principal cash crop of thousands of farmers in our area. Without the income provided by peanuts, many of our farmers will be forced to seek employment in off-the-farm jobs. A large percentage of these farmers are past 50 years of age and are not trained in trades or skills unrelated to farmwork. Even though these people will not sell their own farm allotments, some of their neighbors whose allotments they have been working will sell and eventually the acreage allotment available to them will be so small that it is no longer a profitable operation and they will be forced to get out of farming. In many cases these will be men who have farmed all of their lives and know no other way to earn a livelihood.

The Texas-Oklahoma area usually produces a small surplus of peanuts in addition to those needed to meet edible demand. If this bill as presently proposed were to become law, we believe that a large portion of our present acreage would be sold and transferred to areas to be produced under irrigation. Peanut yields on irrigated acreage of 3,600 to 4,000 pounds are commonplace while the yield on dry land is closer to 900 pounds per acre. In other words, when the same farm is converted from dry land to irrigation, we can expect an increase of about 300 percent in the yields per acre. It must be assumed, therefore, that our surplus would become an increasing problem under the provisions of title VI.

Peanutgrower leaders are giving considerable thought at present to possible effective methods of lowering the cost of the peanut program to the taxpayer. Various studies of this nature have been made by industry representatives and others. We are convinced that most peanutgrowers in the Southwest are ready to accept price-support modifications which would reduce the overall program cost. We would, therefore, regret to see title VI passed by the Congress when every indication is that our surplus would be increased in the South-

west and consequently the surplus problem would be enlarged. This, I believe, would be discouraging to peanutgrowers who want to remove the cost of the peanut program from the U.S. Treasury and put the program on a self-help basis.

The CHAIRMAN. Thank you very much, Dr. Reagan.

I would like to ask you or Mr. Rawlings for information for the record.

Just what is the surplus of peanuts now?

If you do not have the information readily at hand, we can get it later.

Mr. RAWLINGS. I do not have it, that is, the exact figure. It varies, of course, according to the yield per acre, and that varies quite a bit from crop year to the next crop year. The peanut crop is quite responsive to moisture conditions and other conditions during the growing season, but I would say that in dollars and cents it is between \$20 and \$30 million. I think that is approximately it.

The CHAIRMAN. You do not store peanuts; is that right?

Mr. RAWLINGS. The Department has some peanuts in cold storage now from the 1962 crop that they have been paying cold-storage charges on since that time. They are the Virginia-type peanuts.

The CHAIRMAN. How are they handled in cold storage?

Mr. RAWLINGS. Well, frankly, the grower interests that I know of think that it is not the way the program should be operated.

Mr. REAGAN. I might say that the sheller interests also feel the same way. We have opposed this carryover by the Commodity Credit Corporation.

The CHAIRMAN. Is it not very expensive to carry these peanuts in storage?

Mr. RAWLINGS. It is adding to the cost of the program. We had the same thing in some previous years. To be quite frank about it, there is some indication that some of these peanuts will be released after August 1.

The CHAIRMAN. What is your price on peanuts now?

Mr. RAWLINGS. 78.3 percent of parity—that is the announcement just made, \$224 a ton, with a national average of 78.3 percent.

The CHAIRMAN. You would sustain some loss on the peanuts by crushing them for oil?

Mr. RAWLINGS. That is right.

The CHAIRMAN. How much would the loss be?

Mr. RAWLINGS. The loss would be between the support price and the edible price which is somewhere in the neighborhood of \$100 to \$125 a ton—just about one-half the support price.

The CHAIRMAN. Do you mean that if you crush them into oil you lose about 50 percent?

Mr. RAWLINGS. Yes, sir.

Mr. POAGE. What you mean is that it results in a loss of about \$13 million a year to the Government if they are crushed; is that not it?

Mr. RAWLINGS. That is what it looks like, that is the estimate, the 1964 crop loss. I think that is a fair estimate.

The CHAIRMAN. What about the acreage reduction of peanuts—are you going to reduce the acreage?

Mr. RAWLINGS. The national peanut allotment for some several years has been at the minimum national level of 1,610,000 acres. Under

existing legislation, there is no way to reduce the allotment any lower than it has been for several years.

The CHAIRMAN. Why?

Mr. RAWLINGS. Because of the minimum national allotment provision in the law.

The CHAIRMAN. You have that in cotton, but we have had to do something about it, because we cannot keep producing more cotton than we need. There is a limitation on cotton. We will have to consider whether we will reduce the national allotment or not, so we will not have more cotton in storage. Why are peanuts not in that situation?

Mr. RAWLINGS. We have had bills, such as have been sponsored by Congressman Abbitt before this committee asking that this minimum national allotment be modified so that the allotment could be set more in line with the domestic demands.

What has happened, sir, is that we have had some mighty increases in consumption, but it has not kept up with the increased yields per acre as you apply more and more new production technology.

The CHAIRMAN. That is what happened in cotton, too.

Mr. ABERNETHY. Will you yield?

Mr. RAWLINGS. There is complete agreement on that by us.

The CHAIRMAN. What is the value of the entire peanut crop?

Mr. RAWLINGS. About \$200 million.

The CHAIRMAN. I will yield.

Mr. ABERNETHY. Is your industry confronted with an import problem of any kind?

Mr. RAWLINGS. No, sir.

Mr. REAGAN. At the present time this situation is taken care of under section 22. There is a limitation on the importation of peanuts into this country. We are very much concerned, however, over what may happen in the negotiations that are now going on as to the future.

Mr. ABERNETHY. I understand that is as to the future.

I am speaking of the present. Is the industry confronted with any appreciable competition from imports now, or has it in the immediate past been confronted with such?

Mr. REAGAN. No.

Mr. ABERNETHY. It is not?

Mr. REAGAN. No.

Mr. ABERNETHY. Peanuts, actually, do not have any competition in this particular field domestically, do they?

Mr. REAGAN. It is in competition with certain types of nuts. Of course, it is even in competition with jams and jellies as a spread. Over one-half of our peanuts go into peanut butter. There we are in competition with the other spreads.

Mr. ABERNETHY. Do you export any appreciable quantity of your crop?

Mr. REAGAN. A considerable amount of the surplus is exported.

Mr. ABERNETHY. Where do those exports go?

Mr. REAGAN. Quite a bit go to Canada and to Europe.

Mr. ABERNETHY. Are the exports increasing or decreasing?

Mr. REAGAN. They have been increasing some over the last several years. We have been trying to see if we could expand the markets, particularly in Europe, for American peanuts.

Mr. ABERNETHY. Has the Commodity Credit Corporation taken title to some of the peanuts in the loan and then exported them into the world markets?

Mr. REAGAN. That is correct.

Mr. RAWLINGS. Could I comment on the question of exports?

Mr. ABERNETHY. Yes.

Mr. RAWLINGS. The last 2 years, the peanut industry, with the cooperation of the Foreign Agricultural Service of the Department of Agriculture, had two teams of goods and industry people in Western Europe, beginning with the Amsterdam Food Fair, looking into the potential of export markets for American-produced peanuts and peanut products. They came back with very optimistic reports as to the potential.

There were two things that stood out: one was an assurance of continuity of supply, not to just have it as a spasmodic unloading of surplus, coming in irregularly, but we have reason to think that there is a very promising future in particularly the Western Europe countries.

Mr. ABERNETHY. That was 2 years ago?

Mr. RAWLINGS. Within the last 2 years. It was in late 1963 and in the first half of 1964.

Mr. ABERNETHY. Have your exports increased as a result of those conferences?

Mr. RAWLINGS. They have made modest increases, sir.

Mr. ABERNETHY. Has the industry endeavored to take advantage of the export assistance made available through Public Law 480?

Mr. RAWLINGS. Yes, sir; we have an Export Foreign Development Committee that is very active within the peanut industry right now. There is a lot to be done, but we think that there is a lot of potential in the market, and it is working now.

Mr. ABERNETHY. Are the agricultural attachés working on this?

Mr. RAWLINGS. Yes, sir. They were extremely helpful during the tour and with the work at the Amsterdam Food Fair.

Mr. ABERNETHY. Is the effort showing any results?

Mr. RAWLINGS. Yes, sir.

Mr. POAGE. (presiding). Mr. Abbitt.

Mr. ABBITT. For the benefit of the new members on the committee, Dr. Reagan, would you tell us the different areas where peanuts are produced?

Mr. REAGAN. Yes; we have three major producing areas in the United States. The first is known as the Southeast area, which includes Georgia, Alabama, and Florida. Then, next is the Virginia-Carolina area, which includes Virginia and North Carolina. And the third area includes Texas and Oklahoma. And then there are two counties in New Mexico which are included.

Mr. ABBITT. As I understand it, you are speaking today for the Oklahoma-Texas people, the Southwest area of the industry?

Mr. REAGAN. That is right.

Mr. ABBITT. The growers and the shellers there. The shellers are the ones who buy the peanuts from the growers.

Mr. REAGAN. Officially, I am speaking for the shellers, but I talked to a number of the growers down there, and they are very strongly opposed to title VI, they indicated yesterday.

Mr. ABBITT. That takes care of what you call the Southwest.

In the Virginia-Carolina area, you are speaking for the Virginia-North Carolina Peanut Association composed of the shellers?

Mr. REAGAN. That is right. I am officially speaking for them.

Mr. ABBITT. For the record, the shellers are the ones who buy and handle the peanuts direct from the farmers.

Mr. REAGAN. That is right.

Mr. ABBITT. You are also speaking for the Virginia Peanut & Hog Growers Association which represents all of the Virginia peanut growers?

Mr. REAGAN. Yes.

Mr. ABBITT. Can you tell us where are the other producers, in North Carolina and Georgia and the Southeast?

Mr. REAGAN. Yes, sir. The North Carolina Peanut Growers Association, as I understand it, are opposed to title VI.

Mr. ABBITT. That is, tell us what the sentiment of those people are.

Mr. REAGAN. They are opposed to any sale or lease of allotments outside of a county. They are not opposed to leasing from 1 to 5 years within the county.

Mr. ABBITT. But they are opposed to the sale?

Mr. REAGAN. They are opposed to the sale.

Mr. ABBITT. To the sale of the allotment?

Mr. REAGAN. They are completely opposed to the sale.

In Georgia, the Georgia Farm Bureau and the Georgia Peanut Commission are opposed to title VI as it now stands, but they do leasing for 1 year only within the county.

Mr. ABBITT. But they are opposed to title VI?

Mr. REAGAN. Yes.

Mr. ABBITT. Do you know of any producer group that favors this legislation?

Mr. REAGAN. I know of no producer or sheller who is for title VI. And it is part of my business to keep in very close touch with the people in the industry.

Mr. ABBITT. Just to get the record straight, I could not be here the first thing yesterday for the hearing, but I understood that was intimated by the Department's spokesman when they were talking about some regulation to transfer, or that the sale could be made so as to not increase the penalty. Let me ask you: Mr. A had a farm of 50-acre allotment and Mr. B bought that land. Then, could anything be done to stop him from putting it into production?

Mr. REAGAN. I see nothing that would stop him. Of course, this is exactly what would happen. I have great respect for the people in the Department of Agriculture, but I do not think that they can write a regulation.

Second, I do not think that they can enforce one that will prevent title VI if put into law from substantially increasing the surplus.

Mr. ABBITT. In other words, this would put them in such a position that they could do it?

Mr. REAGAN. We have a lot of Texas farmers who are smart enough to get around that one.

Mr. ABBITT. Your theory is that it will contribute to the already surplus?

Mr. REAGAN. Correct.

Mr. DOLE. Will you yield?

Mr. POAGE. Mr. Stalbaum is first.

Mr. STALBAUM. I will yield to Mr. Dole at this time.

Mr. POAGE. Go ahead.

Mr. DOLE. If they sell their allotments, they might want to raise wheat or feed grains. These are voluntary programs so they could, on these acres. This is another fact that we are concerned with.

Mr. POAGE. I think it should be said that this goes much further than peanuts. Cotton is in almost exactly the same situation as peanuts. It is perfectly obvious that if you sell a cotton allotment that there will be an increase in grain acreage. There is no question about what they are going to do. Some of these peanut people will not, because they are in sandy land and you cannot grow feed grains too well on that land, but on cotton land, it is the best land in the South, and it will grow feed grains, and it will, certainly, go into feed grains. There is no question about where it will go.

Peanuts are grown in sandy land.

Mr. DOLE. Do you know what the value of the peanut allotment per acre is?

Mr. RAWLINGS. I would say that on a cash rental basis the top land in the Virginia-Carolina section is being rented for about \$100 per acre per year. There are so many other factors that get into the sale of the farm, other than the peanut allotment.

Mr. DOLE. There was a separate valuation per acre of land then?

Mr. RAWLINGS. Let me answer it this way: If I was renting my farm, I would figure on maybe 20 percent of my crop was in peanut allotment, and if it was good productive peanut land, I would figure to get \$2,800 a year rent, or \$100 per acre.

Mr. DOLE. There is another point, that is, probably many people will sell their allotments, and once the money is gone many will be back asking for another allotment. An allotment has been created by the Government, and what is actually sold is a Government license.

Mr. RAWLINGS. That was one of the fears that our growers had. I would say that our group is unanimous in its opposition, that is, our board of directors, and we think that we are pretty close to the people—they are opposed to it. It will be a real economic impact on the whole community as Congressman Burleson pointed out earlier, as well as to the implement dealer, the automobile dealer, the rural bankers, and whatnot, when these allotments leave their traditional producing community. It will not be just the peanut producers who are going to feel it. We have a lot of people concerned about it back home besides the people who have peanut allotments.

Mr. POAGE. Thank you. Mr. Stalbaum.

Mr. STALBAUM. You indicated, I believe, that the growers in the Virginia-Carolina area would not oppose a proposal to permit short-term leasing up to, I believe, 5 years; and in Georgia, for 1 year?

Mr. REAGAN. That is North Carolina only; in Virginia-Carolina area, the Virginia growers are completely opposed. There is Mr. Rawlings representing the Virginia growers, and he can tell you about that. In the Southeast, the Georgia group are favorable to a lease for 1 year within the county.

Mr. STALBAUM. As to the permissibility of leasing, recognizing that the operator would retain title to the allotment, once you permit that

for a short term, say, 1 year, would that also be beneficial to your farmers provided it is limited to within the county?

Mr. REAGAN. Let me say this, that since the bill was not appraised in this way, I have heard no discussion on this point, so I simply could not answer as to the sentiment, although I have not heard it advocated. I have not heard the 1-year leasing arrangement advocated.

Mr. STALBAUM. You have heard no opposition to it apparently though, have you?

Mr. REAGAN. Well, there is a general fear of what will happen if they start shifting acreage around, you see.

Mr. STALBAUM. Even for a year at a time?

Mr. REAGAN. There is a general fear of getting into this. Once you open the door, then you do not know how far it will go.

Mr. STALBAUM. And even if they retained the title to it?

Mr. REAGAN. Yes; there is this general fear.

Mr. STALBAUM. One other question, sir. You mentioned foreign sales, in answer to, I believe, Mr. Abbitt's question. I believe you said that you ran into some difficulty because of a lack of assurance that there would be a continuing sale, that it would be too sporadic, I think was the word that you used. What was the reason for it not being able to continue? What is the cause of the uneven amount of peanuts available to Government—

Mr. RAWLINGS. There is some unevenness in yields in any given year. If we come up with a normal yield, anywhere near a normal yield, we will have peanuts above and beyond those necessary to supply the market, and there can be export peanuts available for export, unless we have a very low production year.

Now, the policy of the Department has been erratic as to when they would release these peanuts for export. We have people in the industry who go out and drum up business from customers. We had a sale for some of these peanuts that had been in cold storage with the Department paying storage on them from the 1962 Virginia crop. There was a firm interest in them in Canada rather recently, and the word was that they would not be available for sale until such a time as of August 1. It is that type of erratic administration that we have been running into with our schedule for the foreign customers.

Mr. STALBAUM. In other words, the Department would not permit the release of these peanuts even when they had them in storage?

Mr. RAWLINGS. That is right.

Mr. STALBAUM. And there was interest in buying them or obtaining them by a foreign buyer?

Mr. RAWLINGS. That is right. And they had an interest at that time; and at a later date we will have to fill our requirements elsewhere, they said, when they found that out. Those peanuts have been there since the 1962 crop.

Mr. STALBAUM. Thank you.

Mr. POAGE. Thank you.

The Chair is going to suspend for just a minute on this questioning, if we may. We have some distinguished visitors with us who I want to introduce to the committee.

We have a delegation representing the British Honduran National Assembly: we have the Deputy Speaker present, Mr. Allan Arthurs.

and he has with him a delegation of representatives and senators from their National Assembly. We would be glad to have all of our visitors stand so that we may recognize you and extend you welcome.

(The visitors arose and were applauded.)

(The list of representatives and senators from the British Honduran National Assembly follows:)

DELEGATION OF MEMBERS OF BRITISH HONDURAN NATIONAL ASSEMBLY

REPRESENTATIVES

Allan Arthurs, Deputy Speaker (People's United Party)
 Fred Hunter (People's United Party)
 Florencio Marin (People's United Party)
 Edwin Morey (National Independence Party)
 Guadalupe Pech (People's United Party)
 Santiago Perdomo (People's United Party)
 Santiago Ricalde (People's United Party)
 Louis Sylvestre (Christian Democratic Party)
 Elito Urbina (People's United Party)
 Charles Martinez (People's United Party)

SENATORS

James Meighan (People's United Party)
 Sam B. Vernon (People's United Party)
 Jesus Ken (People's United Party)

Mr. POAGE. May I say to our visitors, that the chairman of the committee has just come back into the room. He was called out a few minutes ago.

Mr. Cooley, we have a delegation from the British Honduran General Assembly. Mr. Cooley is the chairman of this committee. I am simply acting here while he was called out, but we are delighted to have these visitors with us. We will be glad to have you stay with us and hear as much as you care to of our proceedings.

The CHAIRMAN. If anyone wants to make a speech, we will be glad to yield the floor, even for a speech.

Thank you very much for coming here.

Mr. POAGE. Now, I want to make another announcement, that our colleague, Mr. Harvey, fell and broke his leg. He is in Bethesda Naval Hospital. All of the members, I know, want to wish him well. I think that the committee will wish to send him some flowers. The clerk will take care of this.

Mrs. GALLAGHER (clerk). We have sent flowers from the committee.

The CHAIRMAN. We have present today one of our distinguished members who has reached his 39th birthday. [Applause.]

Mr. DAGUE. Thank you.

Mr. POAGE. He holds up under his age better than anybody I know.

The CHAIRMAN. Are there any further questions?

Mr. OLSON. Will you yield for an observation?

The CHAIRMAN. Yes.

Mr. OLSON. I believe that it would be apropos for us to recognize the fact that we are paying tribute to farmer programs in our discussion today. If it were not for a Government program with allotments, we would not be discussing whether or not we could sell or lease or

whether we should sell or lease. As Mr. Burleson has pointed out, changes are taking place in rural America and we might run into difficulty if we should encourage the shifting of allotments to other areas of production. Mr. Chairman, I have with me a series of 10 articles on agriculture that appeared in the Minneapolis Tribune. I have them down in my office. They speak of the fact that farmers are working 15 to 17 hours a day and that they are trying to raise 200 bushels per acre of corn. Here are people working themselves to death without recognizing what every other industry in our Nation recognizes: That there needs to be some production control. I find myself hard pressed to understand the criticism that this committee gets, that this Congress gets, that this Government gets, for trying to help bring about some program for control of production.

There is no question in our minds from what we have heard today from Mr. Burleson, Mr. Reagan, Mr. Dole, and other members of this committee, that we can advance greatly the production of peanuts, cotton, or tobacco, or whatever crop there is. But I think we are also saying here this morning that farm programs do serve a positive and good purpose, and that we do want to maintain them in this country.

I thank the committee for the opportunity to make this point. And, also, sir, I want to say this morning that we are thankful for the farm programs that you, Mr. Chairman, and the distinguished members of the committee, have worked in years past to produce.

The CHAIRMAN. I would like to add that if it were not for the farm programs, all of my people in my section of the country would be bankrupt; and if it had not been for the cooperation that we have had they would be out of business. We have reduced acreage. We now have a poundage-acreage control; we have other controls. Without them we would be in worse trouble than we are. How long have these peanuts been in cold storage?

Mr. RAWLINGS. They are from the 1962 crop. I would imagine that they went into cold storage during the first half of 1963, sir.

The CHAIRMAN. What about the volume that is involved?

Mr. RAWLINGS. I cannot tell you the exact tonnage, but it is not a great big tonnage out of the 1962 crop that is still in cold storage.

The CHAIRMAN. What about the 1963 crop?

Mr. RAWLINGS. I am not sure that any is in cold storage, but of the 1964 crop of unedible peanuts that go into oil there are some that are now being sent to cold storage from that crop.

The CHAIRMAN. Let us go off the record.

(Discussion was had outside the record.)

The CHAIRMAN. On the record.

Mr. RAWLINGS. In answer to a previous question off the record, I do not know who made that basic decision, sir.

The CHAIRMAN. Who is in charge of that, Fats and Oils Division?

Mr. RAWLINGS. Mr. Thigpen is the head of the Policy Division and Mr. Morton is in charge of the Producer Association Division. Of course, Mr. Godfrey is the top of it, but I do not know if it goes higher or lower. I do not know where the final decision was made.

The CHAIRMAN. Will you find out about that?

Mr. RAWLINGS. I would like to have the opportunity to supply that in detail to Congressman Abbitt and some further information

that we have, how this cold storage has had an obvious impact on the level of exports that may be indicated.

Mr. ABBITT. What is the cost per ton for storing the peanuts per year?

Mr. RAWLINGS. I do not have that exact figure here.

The CHAIRMAN. We want to get that information. These peanuts have been in storage from the 1962 crop, and we have been keeping them in condition and paying storage costs on them.

Mr. ABBITT. May I go off the record?

(Discussion off the record.)

The CHAIRMAN. On the record.

Mr. RAWLINGS. In this Canadian operation where they demonstrated an interest, they were told that they would be available, but on the basis that they would not get out of this country prior to August 1. Well, that interest had to fill their needs prior to that time, and they went elsewhere to supply their needs, but I do not know where they went. We have people in the business who drummed up this business. It was good business.

Mr. REAGAN. Let me emphasize that the No. 1 problem we have faced over the last couple of years in trying to develop our foreign markets for U.S. peanuts is the uncertainty as to when peanuts would be available. This is just another example of uncertainty.

The CHAIRMAN. You mean they have been in storage and they are not available to be sold?

Mr. REAGAN. Correct, for export.

Mr. ABBITT. You mean that they are storing these unedible peanuts and keep them there in storage?

Mr. RAWLINGS. I do not have the tonnage of them, but it runs into the millions of pounds that are definite for nothing but crushing, sent into cold storage, to stay there how long we do not know, except that it is clear that they will be until August 1, and the Government is going to pay the cost of the cold storage, the movement to the cold storage, the movement out of the cold storage—and all of that is added to the cost of the peanut program.

Mr. ABBITT. And then they had to move them back to the crushing mill?

Mr. RAWLINGS. That is right.

Mr. STUBBLEFIELD. Is the export market for fresh peanuts or oil?

Mr. RAWLINGS. The export market is considered for edible peanuts and peanuts and peanut products.

Mr. STUBBLEFIELD. Even to Western Europe?

Mr. RAWLINGS. That is right, sir. For instance, in West Germany on peanut butter, it is conceivable that if you got anywhere near per capita consumption in those Western European countries, it would be a terrific thing, it would be a terrific market.

Mr. STUBBLEFIELD. Are these cold storage peanuts fit for consumption as peanuts?

Mr. RAWLINGS. It is questionable. One of the largest domestic producers of peanuts, as to these 1962 peanuts that they have been carrying in cold storage, said that they were slightly off flavor—they did not meet their requirements.

So, after a while, they will tend to get off flavor.

Mr. STUBBLEFIELD. Did the recipients abroad crush them, or what?

Mr. RAWLINGS. They are crushed locally, in this country, and there is a pressure of competition with the peanuts produced in Africa and India and Red China, and Mexico, et cetera. There is no possible future that anyone sees, I think, in this country for exporting peanuts or oil, and the like.

Mr. STUBBLEFIELD. But you crush them before you export them?

Are these peanuts crushed before they are exported?

Mr. RAWLINGS. Not the export market; not the export market we had been discussing; no, sir.

Mr. STUBBLEFIELD. They are exported in the shell?

Mr. RAWLINGS. That is right. Excuse me. You did say in the shell. Most of them are shelled.

Mr. STUBBLEFIELD. I mean, without crushing them, the peanuts.

Mr. ABBITT. They are actually exported without crushing them.

Mr. RAWLINGS. Into peanut butter or peanut candy or sold as salty peanuts, primarily.

Mr. ABBITT. How about the 1964 crop?

Mr. RAWLINGS. They have adequate supplies.

The CHAIRMAN. Do you have a promotional program for the peanuts?

Mr. RAWLINGS. Yes, sir.

The CHAIRMAN. How does that operate?

Mr. RAWLINGS. It is operated through the National Peanut Council, a number of grower associations such as the North Carolina Peanut Growers Association, who put many self-help programs in effect in the various producing States.

The CHAIRMAN. We have a tobacco associates program that is financed by farmers and they are promoting tobacco around the world.

Mr. RAWLINGS. I just registered on what you said. Back in 1963, sir, Mr. Chairman, the peanut industry, that is, the growers, the shellers, and the manufacturers got together jointly with the Foreign Agricultural Service of the Department of Agriculture and established a nine-member Foreign Market Development Committee. I happened to have had the opportunity to serve as chairman of that nine-member committee. We worked the survey with the Foreign Agricultural Service of the U.S. Department of Agriculture, with the agricultural attachés being extremely helpful, and it started at the Amsterdam Food Fair. We had quite an exhibit there at the fair for American-produced peanuts and peanut products. It created a tremendous amount of interest. We took a lot of notes there. Inquiries were made by the various Western European countries, primarily, and then early in 1964 an industry team, together with Foreign Agriculture Service personnel went back and made a detailed followup in a number of the Western European countries to try to accurately appraise the potential in a real export market development program for the total peanut industry, and those results came back and were most encouraging, but the thing has been sort of fluttering because of the lack of assurance of a continuity of supply. Everybody agrees that is one of the ingredients that you need.

The CHAIRMAN. Do you use counterpart funds in your peanut program?

Mr. RAWLINGS. The only time, to my knowledge, that those funds have, probably, been used, was to underwrite the major expenses of the activities of the industry at the Amsterdam Food Fair and back on this detailed followup. Right now, there is a reconstituted Foreign Market Development Committee that is active within the peanut industry that is attempting to get the thing off the ground.

The CHAIRMAN. Has the Department authorized the use of foreign currencies for this program? I know that the cotton people and the tobacco interests use them, and I am sure that other commodities use these foreign currencies.

I will not keep you any longer.

Are there any further questions?

If not, we thank you very much for appearing.

Mr. REAGAN. Thank you.

Mr. RAWLINGS. Thank you.

(The following letter and statement were also submitted to the subcommittee:)

NORTH CAROLINA PEANUT GROWERS ASSOCIATION, INC.,
Rocky Mount, N.C., May 15, 1965.

HON. HAROLD D. COOLEY,
House of Representatives, U.S. Congress,
Washington, D.C.

DEAR HAROLD: With respect to the sale, lease, and transfer of peanut allotments, our executive committee voted yesterday to support the renting of peanut allotments within the confines of a county for a period of 1 to 5 years, and to oppose any other propositions relating to the sale, lease, or transfer of peanut allotments.

I understand there will be a hearing next week concerning this matter, and I wanted to let you know our position.

Sincerely yours,

JOE S. SUGG,
Executive Secretary.

STATEMENT OF THE NATIONAL LIVESTOCK FEEDERS ASSOCIATION BY DON F. MAGDANZ, EXECUTIVE SECRETARY-TREASURER, AND B. H. JONES, ASSOCIATE SECRETARY-TREASURER

The National Livestock Feeders Association is a voluntary, nonprofit, non-political trade organization of persons engaged in the business of feeding and finishing livestock for the slaughter market. Membership exists in 23 States, with major concentration in the North Central States. There are nearly 100 State and local livestock feeders associations affiliated with the national association.

STATEMENT OF POSITION

The National Livestock Feeders Association is firmly opposed to giving the Secretary of Agriculture the authority set forth in title VI, entitled "Transfer of Allotments." This title would "permit the transfer by sale, lease, or other means of acreage allotments, base acreages, and sugar proportionate shares which have been established under Federal law, including the transfer from one farm owned by a person to another farm owned by him."

The legal authority conferred to the Secretary by the provisions of this title would constitute, in actual practice, giving ASCS officials licensing authority with respect to the production of those commodities covered by Government programs.

Over time, officials could channel the production of those wanting to give up allotments and base acreages in such a manner as to actually determine who would produce a large share of a given commodity under the respective program. The transfer would include the acreage history and marketing quota attributable thereto. This means we are not talking about a temporary arrangement for the short-term convenience of land operators. The sum total of such transfers

would make permanent changes in the distribution of allotments among producers, the effect of which can well be to concentrate the allotments in fewer hands. This will work against assuring the position of the family farm operator and in favor of the large operator.

Such authority would seriously impair reasonable safeguards on administrative authority. Furthermore, the provisions of said title would set the stage for creating any number of Billie Sol Estes operations on a range of scales.

The CHAIRMAN. We will stand adjourned, subject to the call of the Chair.

(Whereupon, at 11:15 a.m., an adjournment was taken, subject to the call of the Chair.)



History: 02 87-221

GENERAL FARM LEGISLATION

STATEMENT OF THE SECRETARY OF AGRICULTURE

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

FIRST SESSION

APRIL 6, 1965

Serial K

Printed for the use of the Committee on Agriculture



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1965

PLEASE RETURN TO USDA
NATIONAL AGRICULTURAL LIBRARY
LAW BRANCH, LEGISLATIVE REPORTING,
Rm. 117-E, Admin Bldg.
Wash. D. C. Ext. 4654

COMMITTEE ON AGRICULTURE

HAROLD D. COOLEY, North Carolina, *Chairman*
W. R. POAGE, Texas, *Vice Chairman*

E. C. GATHINGS, Arkansas
JOHN L. McMILLAN, South Carolina
THOMAS G. ABERNETHY, Mississippi
WATKINS M. ABBITT, Virginia
PAUL C. JONES, Missouri
HARLAN HAGEN, California
FRANK A. STUBBLEFIELD, Kentucky
GRAHAM PURCELL, Texas
JAMES H. MORRISON, Louisiana
ALEC G. OLSON, Minnesota
SPARK M. MATSUNAGA, Hawaii
MASTON O'NEAL, Georgia
THOMAS S. FOLEY, Washington
JOSEPH Y. RESNICK, New York
LYNN E. STALBAUM, Wisconsin
ELIGIO DE LA GARZA, Texas
JOSEPH P. VIGORITO, Pennsylvania
JOHN C. MACKIE, Michigan
ROLLAND REDLIN, North Dakota
BERT BANDSTRA, Iowa
STANLEY L. GREIGG, Iowa
CLAIR CALLAN, Nebraska

PAUL B. DAGUE, Pennsylvania
PAGE BELCHER, Oklahoma
CHARLES M. TEAGUE, California
ALBERT H. QUIE, Minnesota
CATHERINE MAY, Washington
DELBERT L. LATTA, Ohio
RALPH HARVEY, Indiana
PAUL FINDLEY, Illinois
ROBERT DOLE, Kansas
LAURENCE J. BURTON, Utah
PRENTISS WALKER, Mississippi

RESIDENT COMMISSIONER
SANTIAGO POLANCO-ABREU, Puerto Rico

MRS. CHRISTINE S. GALLAGHER, *Clerk*
HYDE H. MURRAY, *Assistant Clerk*
JOHN J. HEIMBURGER, *General Counsel*
FRANCIS M. LEMAY, *Staff Consultant*

GENERAL FARM LEGISLATION

TUESDAY, APRIL 6, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to notice, at 1:30 p.m., in room 1310, Longworth House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, McMillan, Abernethy, Jones of Missouri, Hagen of California, Purcell, Olson, Matsunaga, O'Neal, Foley, Resnick, Stalbaum, de la Garza, Vigorito, Mackie, Redlin, Bandstra, Greigg, Callan, Dague, Belcher, Teague of California, Quie, Mrs. May, Latta, Findley, Dole, Burton of Utah, Walker, and Polanco.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimburger, counsel; Robert C. Bruce, assistant counsel; and Francis LeMay, consultant.

The CHAIRMAN. The hearing will be in order.

I am delighted to recognize our Secretary of Agriculture, the Honorable Orville L. Freeman. We are very glad to have you with us. Knowing that you might have to fight hard for this bill, we started this meeting with an Irish shillelagh.

Secretary FREEMAN. Just so you do not use it on me, Mr. Chairman. [Laughter.]

The CHAIRMAN. We are limited, as you know, as to time. I will ask the members not to interrupt while you present your statement. We will probably have to call you back for further questioning.

You may go ahead with your statement, Mr. Secretary.

STATEMENT OF HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE; ACCOMPANIED BY ED JAENKE, ASSOCIATE ADMINISTRATOR, ASCS AND CLAUDE T. COFFMAN, OFFICE OF GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE

Secretary FREEMAN. Mr. Chairman, members of the committee, I am pleased to be here once again, this time to testify in support of the proposed Food and Agriculture Act of 1965.

This legislation seeks to carry forward the goals which this administration has consistently worked to achieve in agriculture. They are:

To strengthen farm income which, in this most prosperous time, is far from adequate. There are today, out of more than 3 million farmers, only 400,000 who earn even close to parity of income—the equivalent of a wage earned by a skilled industrial worker (\$2.46 an

hour), and as much as a 5-percent return on investment. Most do not even earn the minimum hourly wage of \$1.25.

To reduce the cost of farm commodity programs in order to free more public resources for the war on poverty, for education, for housing and for the many other programs designed to help people in rural and urban areas.

To maintain food costs at fair and stable levels. The cost of food today takes a smaller part than ever of the average American family's spendable income—less than 19 percent, and less than in any other country. The success of family farm agriculture is responsible for this achievement, and the continued health of American agriculture will insure that the cost of food will remain low.

The legislative proposals now before this committee and the Congress will enable us to maintain our progress in each of these areas by providing several new techniques which will give added flexibility and dimension to farm commodity programs. The changes contained in these proposals would:

Encourage greater use of the marketplace to bring a fair return to farmers in domestic and export sales. We would rely less on tax dollars, and we would seek to move away from use of export subsidies;

Assist small farmers—whose age, lack of education or physical condition prevents them from shifting to other jobs—through special provisions which will enable them to earn a better income with their present resources;

Enable small farmers with the capacity and desire for growth to acquire the resources they need for an adequate size family farm operation, and insure that those who seek to earn a decent living in other than farming or who wish to retire will receive fair and just compensation for their assets;

Provide the instrument for long-range adjustments in agricultural resources, recognizing that the need for balancing the supply of farm commodities with the demand will be of long duration.

These changes, which we firmly believe to be in the national interest, are made possible because of the significant progress in agriculture and the national economy over the past 4 years. This progress has been made possible in large part because of actions taken by this committee and the Congress.

Over the past 4 years the general health of the farm economy, while it requires much further improvement, has been significantly improved compared with 1960; effective and impressive steps have been taken to enable low-income families to increase their food purchasing power so they can buy the food they need for an adequate diet in the marketplace; and agricultural policies have been broadened so that they encompass not only the needs of commercial agriculture, a vital part of the Nation's economy, but also the social and economic needs of the rural community as a whole. President Johnson, in his farm message, accurately highlighted this new concept as a way to achieve "parity of opportunity for all rural people."

The fifth year of uninterrupted economic growth has brought the Nation to peak prosperity. This record expansion has created additional resources with which to attack poverty and other social problems. It, plus increasing efficiency on the farm, has meant that personal income has increased more rapidly than the cost of food so

that the American people today eat better and cheaper than any people in history.

Realized net farm income, for each of the past 4 years, has averaged \$900 million higher than in 1960. Realized net income per farm last year was \$3,642 or \$681 above the level in 1960. In this period, record high levels of grain stocks have been reduced to manageable levels; wheat stocks have dropped from 1.4 billion bushels to below 900 million bushels, and feed grain carryover will have decreased from 85 million tons to about 56 million tons by the end of the current marketing year. This means a total reduction in wheat and feed grain stocks of over 1.5 billion bushels. If the Commodity Credit Corporation held this quantity in their inventories for a full year, carrying charges (storage, handling, transportation, and interest) would be about \$650 million.

The reductions in costs and in inventories, as well as the increase in realized net farm income, are in large part the result of the voluntary feed grain and wheat programs which this committee has helped to develop and which the Congress has enacted since 1961. Without these actions, it is estimated that the Nation's farmers would have added 3.4 billion bushels of wheat and feed grains to carryover stocks which would have ultimately resulted in substantial additional costs for carrying charges, substantially greater than the diversion and other payments made to producers in return for voluntarily curtailing production these last 4 years.

However, progress made to date is still far from satisfactory. That is why the proposed legislation now before you directs itself strongly to the need to improve farmer income. In the absence of a fair return in agriculture, we will not, in the long run, get the people and the resources we must have in farming if the abundance we enjoy today is to be assured in the future.

The crisis in commercial agriculture was only one of many challenges which faced the administration and the Congress 4 years ago. In 1960, when the Nation's storehouses were bulging, hundreds of thousands of Americans were going hungry. Millions lived on an inadequate diet largely supplied by a miserly ration of flour, lard, cornmeal, dry milk, and butter distributed directly from Federal surplus stocks. You will recall the President's first Executive order which doubled both the quality and quantity of this program—adding meat, cheese, dried eggs, beans, and peanut butter to the commodities made available to hungry Americans. Eventually the commodity list was enlarged to include 15 food items. The number of people participating in the program grew from 4.3 million early in 1961 to a peak 7 million by mid-1963.

In this same period, we began the pilot food stamp program which, at its peak was extended to 43 areas and reached nearly 400,000 people. This program made it possible for low-income families to buy food coupons with the money they normally would be able to spend for food and receive enough additional coupons to buy the food needed for an adequate diet. This committee, after careful study, acted on President Johnson's strong recommendation to make the program a permanent instrument in the war on poverty. This month, we will inaugurate some 21 additional food stamp areas, bringing the total up to 91. We anticipate that about 1 million persons will be covered by the program currently, and we plan to

enlarge it gradually to reach low-income families in all of urban and rural America.

Thus, you have enabled farmers to earn a better return for the abundance they produce while seeking to insure that no American is denied the opportunity for an adequate share of this abundance. These are significant accomplishments.

Equally significant, this committee and the Congress have helped to launch a rural renaissance by recognizing that agricultural policy today is concerned with the rural community as a whole. Agricultural policy must deal with rural affairs, for only by so doing can it effectively serve the needs of the farmer and the Nation. As a result, there has been in the past 4 years a whole new series of congressional actions aimed at the underlying social and economic needs of the rural community.

Housing legislation in 1961 and 1962 broadened the authority of Farmers Home Administration in the USDA to make credit available to all rural Americans. Nonfarm homebuilding is accelerating in rural areas. Special emphasis was given to housing for senior citizens. The Area Redevelopment Act in 1961 made additional resources available to the rural community to help finance industrial and business expansion and to build essential community facilities.

The Food and Agriculture Act of 1962, which I have often described as the charter for rural America, and other Federal legislation expanded the dimensions of rural development. The construction of rural water systems, and recreation development on both a community and individual basis, were made possible by new or expanded loan programs. The small watershed program was expanded. Two pilot approaches to rural development—rural renewal projects, and the resource conservation and development projects provided for in the 1962 legislation—are going forward in different parts of the country.

The same year, the Congress also enacted the Manpower Development and Training Act. Next year came the Vocational Education Act of 1963. Both contained authority to provide rural people with the opportunity to gain new and useful skills.

The results of these programs carried forward through local rural areas programs are both impressive and heartening. Local leadership has responded to the challenge—there are rural community development groups involving over 100,000 rural leaders in more than 2,100 counties today. These groups have helped to create some 412,000 new jobs in rural America, including more than 40,000 jobs provided by 316 ARA-financed projects.

Over 558 rural communities have built or expanded water systems with USDA loans of nearly \$73 million since 1961, while 92 projects costing nearly \$59 million have been financed in rural communities with ARA assistance. Over 45,000 rural homes have been built or improved in rural areas through housing loans totaling nearly a half billion dollars in the past 4 years. More than 26,000 landowners during this period have established one or more income-producing recreation enterprises through USDA programs. About 10 percent of these now are a primary source of income. In addition, some 422 recreation projects have been financed by USDA loans, including 104 nonprofit community projects.

Our experience these past 4 years has taught us two important lessons:

With adequate funds and sufficient technical assistance, the rural community can reach out to provide better opportunity for rural Americans. We have shown that rural America has the capacity for growth; we cannot duplicate—and should not try to duplicate—within the U.S. Department of Agriculture all the expertise and services of the rest of the Federal Government such as education, manpower, health, welfare, youth counseling, employment programs, and all the rest.

For the Department as a whole, and for the rural areas development effort particularly, this means that we should concentrate on helping other agencies and programs bring their benefits to rural America.

The President, deeply conscious of the full range of needs of rural America, has acted to insure that rural America has equal access to all Federal services. In his message to the Congress on February 4, he directed the USDA to establish a Rural Community Development Service to provide “outreach” so that every program of the Federal Government will, in fact, as well as theory, be available to the rural community that seeks such cooperation. The same month I established this RCDS agency, and its new Administrator, Robert G. Lewis, is moving swiftly to carry out the President’s directive.

Thus, there is underway an ever enlarging effort to achieve President Johnson’s goal of parity of opportunity for rural America. Four years ago, there were many people who said that rural America had little or no potential for growth. The instruments which the Congress has forged to give rural America a fighting chance have proved this belief wrong.

Progress these last 4 years in strengthening the economic base of rural America is heartening. But, as President Johnson sharply and succinctly pointed out in his message to Congress, we must differentiate between the challenge and opportunity in the rural renaissance now underway and the challenge and opportunity to maintain the strength of commercial agriculture so critically important to the national well-being.

Commercial agriculture is a matter of national concern, not because of any failure, but because of a fantastically successful productive revolution.

In the immediate years before World War II, farm productivity was increasing only half again as fast as industrial productivity. At that time if every person had had enough to eat, there would have been no surplus. In the years following World War II, farm productivity has been increasing twice as fast as industrial productivity. We now recognize that we can produce more food than we can consume at home or sell and effectively share abroad.

As President Johnson noted in his letter transmitting the new legislative proposals, if industrial productivity had increased at the same rate as in agriculture, we could have produced the same level of output in 1963 with 8 million fewer people than were actually employed. Instead of 4 million unemployed, there could have been 12 million; and unemployment benefits would have cost more than \$9 billion instead of about \$3 billion.

These figures show some of the effects of the output revolution in farming; and they indicate the nature of the adjustment which currently is underway in commercial agriculture.

The fact that fewer than 400,000 farmers earn close to a parity of income means that we must do better for the family farm system which makes it possible for the American people to eat better and at lower real cost than ever before.

Over the past 30 years, the commodity programs which provide price and income support to the farmer while keeping production in check have proved to be the most sensible instrument for dealing with the output revolution. They have helped to strengthen the family farm system while at the same time they have been effective in keeping food supplies closer in balance with demand.

We propose to keep and improve them; and, recognizing that the output revolution will run for many years, we propose to strengthen their effectiveness with programs which will have more long-range effects. The cropland adjustment program will enable the individual commodity programs to focus on the immediate food and income needs while reducing their cost.

With the certificate program for wheat and rice, we seek to eliminate the export subsidy, and at the same time significantly cut Government costs. Our position as a great, progressive trading nation will be strengthened in this manner.

Under the wheat and rice programs, the producers of these crops have the opportunity to go to the free market as fair bargainers to obtain a decent return for their products as do other producers in our economy.

I would emphasize that it is highly desirable that the farmer receive a return from the consumer and the marketplace rather than from the taxpayer. It is reasonable to anticipate that there will be those who will contend that this kind of program is an imposition on the consumer.

However, I am confident that when the American people realize that in the last 10 years the farmers' prices have dropped 4 percent while the general cost of living has increased 15 percent, they will support the desire of the family farmer to get a fair return in the marketplace.

The total effect of providing a higher return to farmers from the marketplace for wheat and rice, as proposed, would be to increase the cost of these foods about 3.6 cents a week or \$1.87 a year per capita. It would increase the food expenditures of an average family of four—which now spends about \$1,400 for food—about one-half of 1 percent.

In the past 4 years, the take-home pay of the average family has sharply increased—we have substantially enlarged the direct food distribution program—we have increased the food purchasing power of families participating in the food stamp program from 25 to 38 percent—and we have launched a series of programs designed to help millions escape from poverty. All these developments point to one conclusion: there will be no hardship because of the commodity programs we are proposing today.

The commodity programs called for in H.R. 7907, while sharply focused on the goal of parity of income for the adequate family farm which produces most of our food abundance, also seek to provide more help to the small farmer.

Through the use of graduated payments as long followed in the successful sugar program, the income for the adequate size rice and

wool producer would be maintained at current levels but additional payments would be made to smaller producers.

Through the proposed authority to transfer and lease allotments, the part-time farmer who seeks to leave or the farmer who wishes to retire will get a fair return for his allotment, while the smaller farmer who needs to expand to an adequate sized family farm will be able to do so.

The cropland adjustment program will help the part-time farmer who wants to discontinue operations and the older farmer who wants to retire—and at the same time it will help maintain productivity and will reduce the cost of farm commodity programs. Obviously, it will be less expensive to keep land out of production on a long-term basis than to make the same adjustment year by year as we do now in the wheat and feed grain programs.

Both the cropland adjustment and the sale and lease of allotment features will be carefully supervised by the county ASC committees to prevent both abuses and any adverse effect on the local economy.

Let me now turn to the specific titles of the proposed legislation to briefly describe each of them

Titles I and II of the proposed legislation would amend and extend the wheat and feed grain programs now in effect.

Title III would make the price support system for rice similar to that now in effect for wheat, while leaving the acreage allotment and marketing quota provisions essentially unchanged.

Title IV would extend the Wool Act with some amendments.

Title V would provide for a long-term cropland adjustment program.

Title VI would authorize transfer of acreage allotments among farms within States.

Title I would continue and improve the voluntary wheat program enacted last year. The principal change would be to raise the maximum level of price support on wheat used for human food in the United States to 100 percent of parity, or approximately \$2.50 per bushel. The price support for domestic food wheat from the 1964 and 1965 crops is \$2 per bushel. It is our intention to make full use of this provision in 1966 to increase producer returns by at least \$150 million and to reduce export subsidy costs substantially.

Important provisions of the wheat program which would remain in effect include authority for establishing national and farm acreage allotments—for making wheat and feed grain acreages interchangeable—and to offer payments for additional diversion below the acreage allotment; and optional provision for export certificates.

Title II would extend the voluntary feed grain program first enacted in 1961. All the major features of the program would be continued, including authority added in 1962 to extend a portion of price support to farmers as payment in kind.

Important changes would provide for diversion payments at levels needed to meet program objectives without a maximum limit; authority to encourage production of soybeans when such additional production is needed; and authority to make price support payments on all or a part of normal production.

Title III would authorize a marketing certificate program for rice in place of the present price support program. Marketing quotas would remain, and acreage allotments would continue as at present, except the minimum national allotment would be changed to the

acreage needed to produce 60 million hundredweight. The present national acreage allotment is well above this level, and we do not now foresee any need to change it.

There would be two levels of price support. Marketing certificates would be issued on the portion of the crop used domestically—about 35 to 40 percent—except that small producers would be eligible for certificates on a higher percentage of their crops. Total support on that portion of the crop would be in a range of 65 to 100 percent of parity. The loan rate for all rice would be near competitive world prices.

To illustrate, producers could receive certificates on up to 55 percent of the first 500 hundredweight produced; on up to 45 percent of the next 1,000 hundredweight produced; and equal to the national domestic allocation on all production over 1,500 hundredweight. In other words, no rice producer would receive less than his share of the domestic market.

Each farmer, by his production decisions, could determine his average return per hundredweight, depending on plantings within his allotment.

Certificates would be purchased by millers on all rice processed in the United States. But the value of the certificates would be refunded on any processed rice that was exported.

As in the case of wheat, CCC would facilitate the handling of certificates by redeeming the farmers' certificates in cash and in turn, selling them to rice millers and processors.

With returns from domestic food rice at 100 percent of parity, farmer incomes can be increased, while Government costs are lowered some \$35 to \$45 million per year. All producers will earn more than they will this year, and small producers will be able to significantly raise their earnings.

Title IV would amend and extend the Wool Act which has worked so well for 10 years. It would remove the unrealistic production goal of 300 million pounds, and would provide for three ranges of price support, depending on the quantity of wool produced on the farm. All but about 15,000 out of 248,000 producers would qualify for supports on all their production in a range of 75 to 90 percent of parity (about 62 to 74 cents per pound) compared with the 62-cent support level in effect for 10 years under the Wool Act.

Some 10,000 producers whose production ranges from 2,000 to 7,000 pounds per year would qualify for supports on most of their production in the range, 70 and 85 percent of parity (about 57 to 70 cents); about 5,000 of the largest producers would qualify for supports on production up to 2,000 and 7,000 pounds as indicated above. But, on production over 7,000 pounds, support would range from 65 to 80 percent of parity (about 53 to 66 cents today).

With these amendments, the Wool Act can continue to stabilize the wool industry and to support grower incomes with special attention to small growers.

Title V of the bill would authorize the Secretary to enter into 5- to 10-year contracts with landowners during the 5 years, 1965-70, to divert cropland primarily from allotment and price-supported crops to other uses. Communities would be protected by a limit on the percentage of land which would be contracted in any area and possibly in any year. Grazing would not be permitted except in emergencies.

Where the agricultural purposes of the program would also be served, funds available could be used to assist State and local governments to develop recreation and wildlife, to beautify areas, and to prevent pollution, including the acquisition of land for such purposes. Our experience with cropland conversion, and the current enthusiasm for natural beauty and recreation development lead us to the conclusion that significant acreages can be moved into new permanent important uses.

Compared with annual diversion programs, savings are expected to be in the range of \$4 to \$5 million per million acres contracted, plus the long-range effect of permanently reduced production capacity.

If this program can be built up to about 40 million acres after 5 years, it will reduce our dependence on annual programs and save up to \$200 million a year. But it will take time to do this, and it is essential to continue the annual diversion programs if we are to avoid building up new and record levels of surplus stocks.

Title VI would authorize transfer by lease or sale of acreage allotments. Transfers would be limited to within States, and would be authorized only if they would not impair effective operation of commodity programs. This provision can encourage the development of economic sized family farm units.

Provisions of this title would probably be used for crops for which mandatory programs are in operation, or for which little acreage is planted outside allotments. We do not believe it could be used for crops, such as feed grains and wheat, with voluntary programs and substantial noncompliance.

I would conclude this testimony by reviewing a number of matters which I know to be of concern to this committee.

We are continuing to study the cotton program in cooperation with cotton producers and with the industry. Hopefully, means can be found that will command broad support to reduce costs, to lower CCC stocks and to keep cotton competitive with other fibers and in world markets.

We have the question of how most effectively to maintain a reserve of farm commodities under intensive study. The Food and Fiber Commission soon to be appointed by the President will carefully review the Nation's reserve policy.

Finally, there has been strong interest in requiring by law a higher minimum price for sales of CCC grain stocks in the open market. A number of bills before the Congress would raise the minimum from 105 percent of the loan rate to a range of 115 to 125 percent.

The USDA shares the stated objectives of these proposals—that is, to strengthen prices, to make maximum use of market forces in guiding production and of private marketing facilities in handling commodities, and to minimize CCC activities in marketing commodities. However, in addition to its concern with the effective functioning of the free market, the USDA has the responsibility of operating the feed grain and wheat programs as effectively as possible for the producer at a minimum cost to the taxpayer. This can't be done if we are required to hold stocks from the market to obtain prices so far above loan levels that we can't get farmers into the program. I have every respect for the operation of the market. It can set values and quality differentials far better than the Government. We rely on the trade to handle CCC commodities as the CCC has virtually no facilities—and we want to reduce those we do have.

I repeat, however, that we must consider the producer and the consumer as well as the trade when we determine the ground rules for operating our commodity programs.

Actually, a careful review of the facts will show, I believe, that our grain programs have been well administered to provide higher farm prices and at the same time to make the maximum use of the marketplace in the management of stocks. We have enjoyed an unparalleled period of stability in which gradually rising prices have benefited the entire economy.

Here's what Commodity Credit Corporation operations have helped accomplish over the past 4 years.

Wheat stocks have been reduced by 500 million bushels. Each year since 1960, average farm wheat prices have been above local levels—in 1961 and 1962 by 4 cents, in 1963 by 3 cents, this year by an expected 8 cents per bushel. In the preceding 10 years, 1951–60, farm prices were below loan levels in every year—by as little as 3 cents and as much as 17 cents per bushel. This shift to strong market prices relative to loan levels is the result of restrained and careful sales policy.

There is a chart at the back of the testimony marked "Wheat," and if you look at the top of that chart you will notice that, for the period prior to 1960, the average price received by farmers was below the loan rate every single year for 10 straight years. Since 1960, under the new program, the season's average price received by the farmer has been above the loan rate every single year since 1961.

Commodity Credit Corporation did sell nearly 50 million bushels of wheat for unrestricted use from July to October last year to meet the needs of the milling industry and to comply with the directive of Congress to ease the transition to the new program. Since mid-October, CCC sales of wheat for unrestricted use have been only 5 million bushels, and we are not selling at all now. This abnormal situation will not occur again, and we expect that, in future years, Commodity Credit Corporation sales will be relatively small. Certainly minimum turnover of Commodity Credit Corporation stocks is one of our objectives.

Turning to feed grains, total stocks are down some 30 million tons in 4 years, after a decade of steady increases during which 65 million tons of grain were added to stocks.

Average farm prices for corn (including loans) have been 8 to 14 cents per bushel above the 1960 level in each of these past 4 years.

This is demonstrated on chart No. 2, which is attached to the statement.

Prices have been slightly above loan levels these past 2 years, after the program was changed in 1963 to encourage stronger market prices. By contrast, average farm prices for corn were below support levels nearly every year in the 1950's.

To interpret the feed grain situation, we must remember that in 1961 and 1962, heavy sales of feed grains by Commodity Credit Corporation were an integral part of the program. Congress intended and Congress directed Commodity Credit Corporation to sell corn to keep prices below supports—to make the program effective.

As a result, Commodity Credit Corporation sold 975 million bushels of corn in 1961–62 and acquired 637 million bushels. In 1962–63, we sold 736 million bushels and acquired 480 million bushels.

Again, this is demonstrated on chart No. 2.

The conditions which brought these results no longer exist. Beginning with the 1963 program, price support payments released the "sellback" of feed grains. Corn sales last year were only 170 million bushels and acquisitions were 70 million bushels. This year sales are expected to be in the range of 300 to 350 million bushels, and acquisitions will be around 50 million bushels. Commodity Credit Corporation acquisitions of corn will, in fact, amount to only 2 percent of the crop this year.

This is demonstrated on the chart. You will note the very modest sales of feed grains and of wheat. The only period of very high sales or very high acquisitions was in 1961-62 when we purposely sold, in order to move our prices down far enough so that they would be way below the support level—the loan level—so that we could thereby get compliance. That was the whole intent and purpose of the program. And when that had been achieved, the sales and the takeover of corn have been normal. The sales of wheat last year were abnormal. If we had not sold 50 million bushels of wheat, processors would have suffered severe hardship; they would have had to pay a very high price in the marketplace—where no wheat was available—and they would have had to buy a certificate as well. They would have had to pay close to \$3 for their wheat. This the Congress specifically instructed us not to do, and the Congress and the Corporation made a very clear commitment to the industry that that would not be done. When that commitment was met, the sale of wheat dropped to nothing.

Thus, the objectives of strong and stable prices and maximum use of normal channels of trade are being realized under present procedures. With the programs extended and with surpluses reduced, we can, in the future, make even greater use of the strong and vigorous marketplace provided by cooperatives and the grain trade generally. But we must not yield to the temptation to make prices so high that the programs become unworkable. The feed grain program has worked excellently. It has been well worth the cost. But the cost has been high, and if it goes higher, the program will be gravely threatened.

Further, we must keep in mind that for a number of reasons, including substitution, the price relationship between wheat and feed grains must be based on the feed ratio between them if our programs are to work as intended.

It has been recommended by some that the problems I have just described—which would result from sharply raising, by law, the sales prices for CCC grain—could be met by lowering the loan rate on wheat to about a dollar and on corn to about 90 cents a bushel.

I have given this careful consideration. The loan rate has a decisive influence on farm prices and farm income—particularly to small farmers. Farm income today is still significantly below parity, and this being the case, I do not believe it would be in the national interest to lower the loan rate.

These, then, are the major proposals for agriculture which the administration is submitting at this time.

They will continue to strengthen the incomes of farmers, making possible steady progress toward the goal of parity of income.

They will reduce the cost of farm commodity programs.

They will enable us to continue an orderly reduction of surplus grain stocks.

They will enable our family farm agriculture to continue to provide the American people with an abundance of food and fiber at the lowest proportionate cost in history.

They will enable agriculture to compete even more effectively in world markets, and to increase the significant contribution it makes to our dollar earnings abroad.

They will contribute to an orderly adjustment in agriculture by helping both those farmers who wish to enlarge their resources and those who wish to retire in dignity or to move to other jobs with better incomes.

I will do my best to answer any questions the committee may have on the legislation.

Thank you for your kind attention.

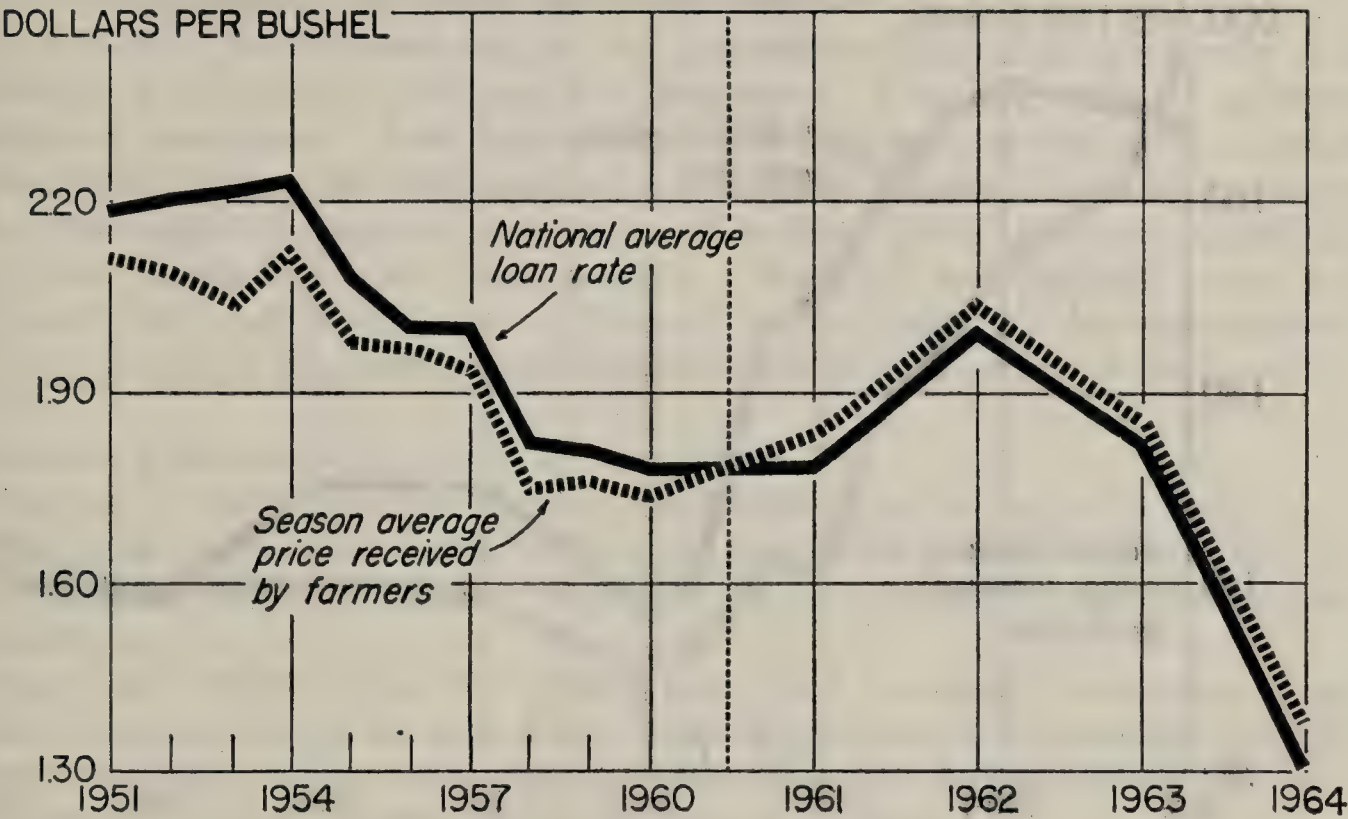
(The tables and graphs follow:)

[In millions of bushels]

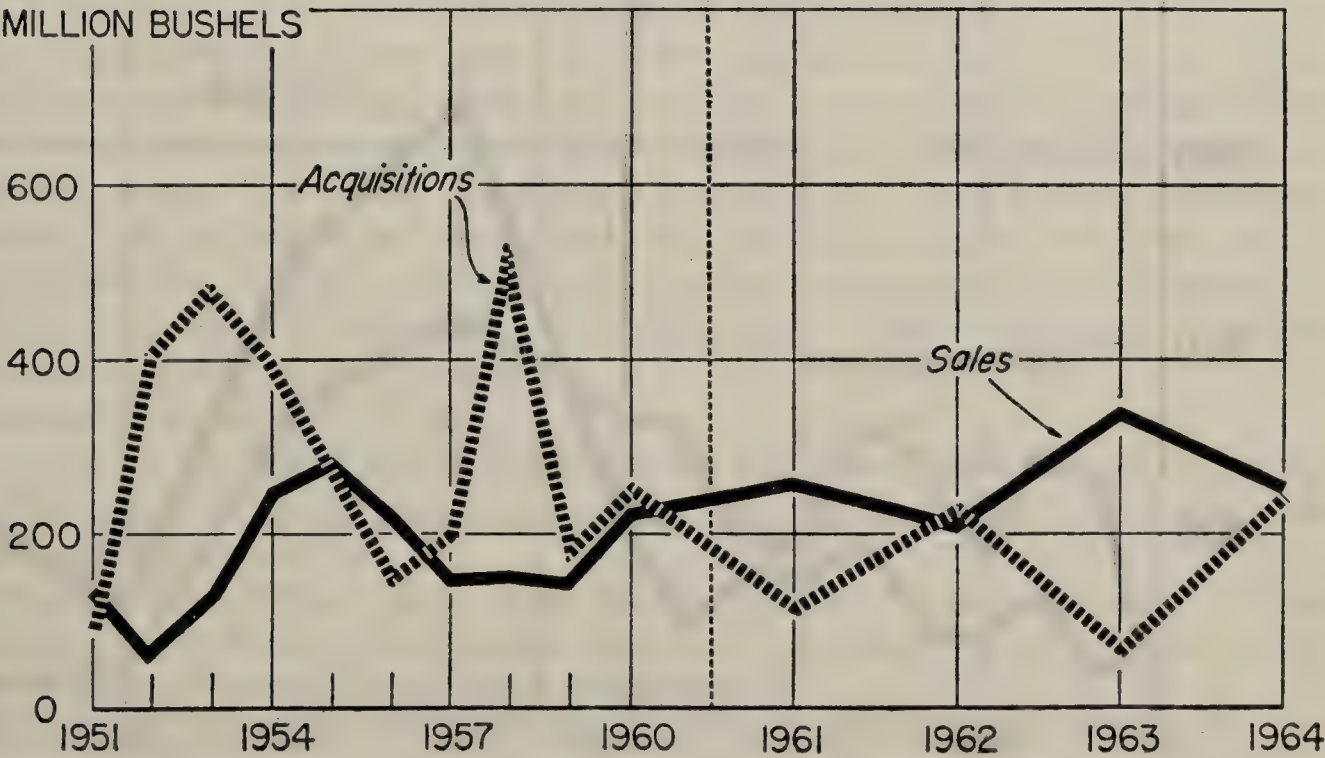
	CCC sales	CCC acquisitions		CCC sales	CCC acquisitions
Corn:			Wheat:		
1960-61-----	311	480	1960-61-----	226	250
1961-62-----	975	637	1961-62-----	255	113
1962-63-----	736	480	1962-63-----	208	223
1963-64-----	170	75	1963-64-----	342	67
1964-65 (estimated)---	(325)	(50)	1964-65 (estimated)---	(250)	(240)

WHEAT: GOVERNMENT PRICE SUPPORT OPERATIONS

Farm Price and Loan Rate



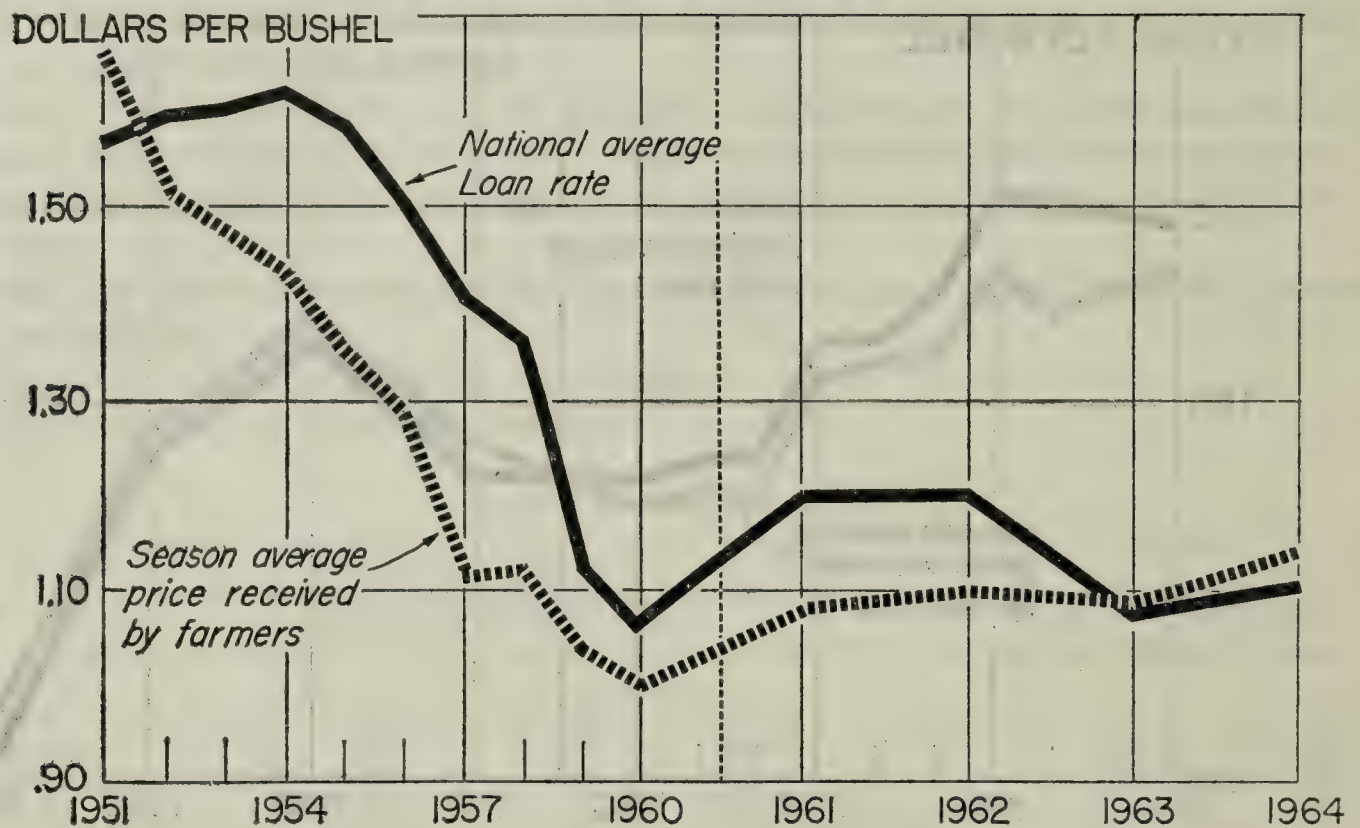
CCC Sales and Acquisitions



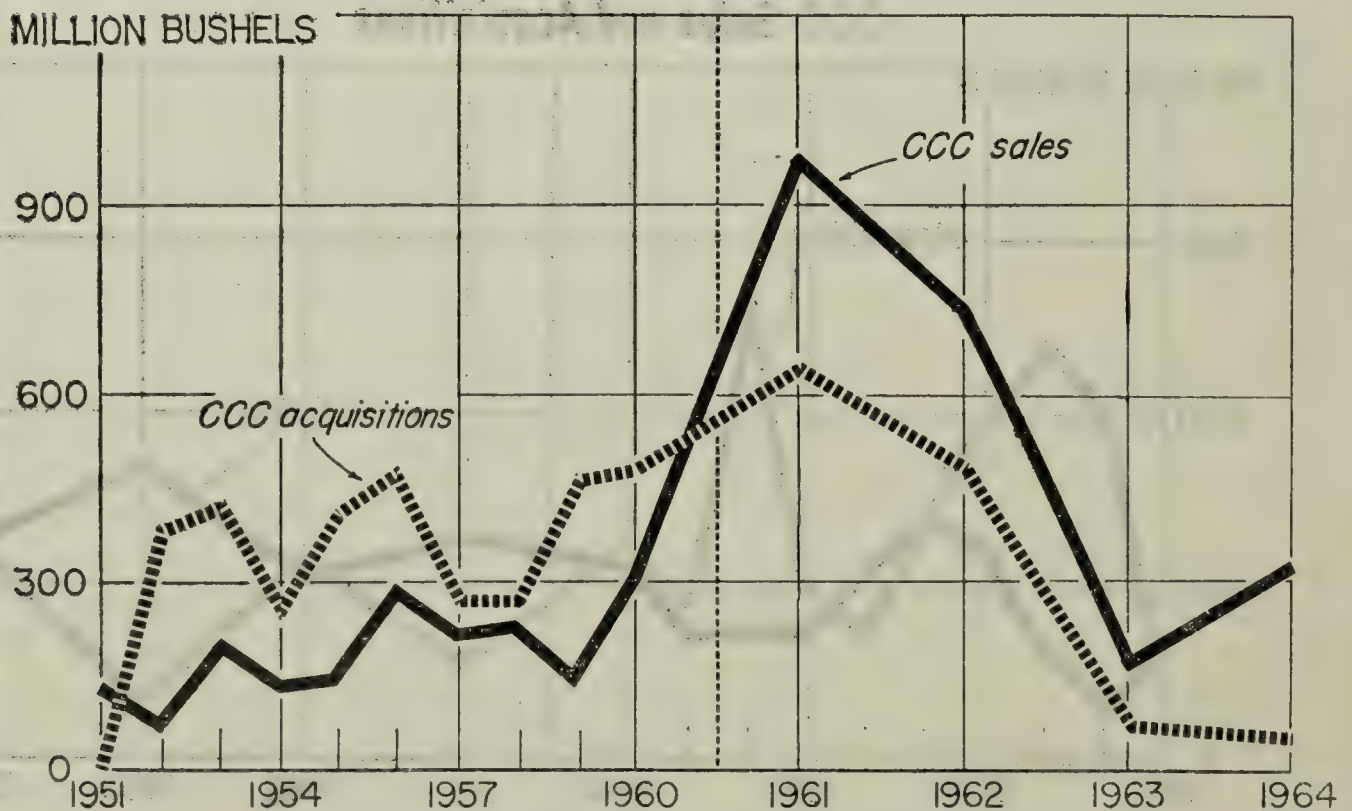
DATA FOR 1963 PRELIMINARY; 1964 ESTIMATED YEAR BEGINNING JULY 1

CORN: GOVERNMENT PRICE SUPPORT OPERATIONS

Farm Price and Loan Rate



CCC Sales and Acquisitions



DATA FOR 1963 PRELIMINARY; 1964 ESTIMATED

YEAR BEGINNING OCTOBER

The CHAIRMAN. We thank you very much, Mr. Secretary, for your very fine presentation.

Do you have any questions, Mr. Poage?

Mr. POAGE. No.

The CHAIRMAN. Mr. Dague.

Mr. DAGUE. No.

The CHAIRMAN. Mr. Latta.

Mr. LATTA. Mr. Secretary, I am pleased to note that you now are endorsing a cropland retirement program. I think that is a wise change of position. You know that I have advocated it for some years before this committee, and I am glad to see the Department of Agriculture's change of thinking. I notice, also, that you dwell on parity of income in your statement. And for my benefit, and for the benefit of, perhaps, some of the other members of the committee, will you explain the difference between parity of income and parity index.

Secretary FREEMAN. I will do my best.

The parity ratio relates to the price situation on a particular commodity at a particular time, and compares it in terms of the relationship between that price and the cost of the things that the farmer must buy.

I have said before that the parity ratio can be useful as a measuring device, but today it is not very meaningful as a measure of farm income because it ignores tremendous changes in productivity, and, of course, completely ignores Government payments.

Parity of income, on the other hand, relates to the end result, which is the important thing—what is left after you have paid your bills and your taxes—how much you have in your pocket. So parity of income takes a look at net income and compares it with a standard which is generally met in other parts of our economy.

The standard we have used in the Department is a return of 5 percent on net capital investment and the equivalent of scaled labor wages for the owner-operator of about \$2.50 an hour and the national minimum wages for labor that may have been hired by that farmer-operator. Applying that standard, we find that there are fewer than 400,000 farmers in the country today who receive parity of income.

Mr. LATTA. If I understand it, you say that the parity index ignores Government payments?

Secretary FREEMAN. Yes.

Mr. LATTA. I thought that after you became Secretary of Agriculture this had been changed, so that the parity index did include Government payments.

Secretary FREEMAN. Not the basic parity ratio. There is an adjusted parity ratio which does include Government payments in an effort to make the criteria more meaningful.

Mr. LATTA. For my benefit, has the parity index gone up?

Secretary FREEMAN. The last time the parity ratio increased, it went from 74 to 75.

Mr. LATTA. It is now 75?

Secretary FREEMAN. That is my recollection.

Mr. LATTA. I have one question on your wheat control proposal. Under the present wheat plan, 45 percent of a farmer's crop is considered his share of the domestic production, is that correct?

Secretary FREEMAN. That is correct.

Mr. LATTA. Would the same percentage be used by the Department if this plan is adopted?

Secretary FREEMAN. Approximately; yes.

Mr. LATTA. According to the Department's February 1965 Wheat Situation Report, the domestic wheat consumption of spring wheat was about 75 percent, and the domestic consumption of Soft Red Winter wheat was about 62 percent. Would you give any consideration at all in allocating domestic wheat certificates for this higher consumption of these classes of wheat?

Secretary FREEMAN. No.

Mr. LATTA. Notwithstanding the fact that a greater percentage of these wheats are used domestically, you are not going to consider any differential at all?

Secretary FREEMAN. That is correct.

Mr. LATTA. Would you give us the reasons or the logic behind that?

Secretary FREEMAN. The reason is that such a program would be completely inoperable, and it could not possibly be administered. Wheats are interchangeable, at least marginally; certainly during periods of shortages, they are significantly interchangeable. So if a differential were in effect for different wheats which are produced in different parts of the country, that would be the equivalent of saying, "Let us not have any wheat program at all."

Mr. LATTA. Well, that is not the question. When you tell the farmer in effect that "we are going to pay you certificates on the basis of your consumption domestically," you are actually not telling the spring wheat farmer or the Soft Red Winter wheat farmer the truth. You are actually saying that we are giving you certificates for 45 percent when you should have them for 75 and 62 percent, respectively—is that not a true statement?

Secretary FREEMAN. No; it really is not.

Mr. LATTA. Your program does work that way, doesn't it?

Secretary FREEMAN. It is a misinterpretation. What we have said——

Mr. LATTA. These are your figures that I am citing.

Secretary FREEMAN. You know that there is an old saying that figures never lie. But they can be misinterpreted.

Mr. LATTA. I have noted that before.

Secretary FREEMAN. In this instance we, of course, are dealing in national figures because this is a national program.

Mr. LATTA. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Poage

Mr. POAGE. Mr. Secretary, going back to this question of the various classes of wheat, is that not exactly the kind of thing which the market should take care of? If there is a much greater demand for one type of wheat than for another type of wheat, unquestionably the market will pay more for that which is in the greatest demand, will it not?

Secretary FREEMAN. I think that your point is well made, Mr. Poage.

Mr. POAGE. The truth of the matter is that the market has not been paying as much for the Soft Red as for the Hard Red Winter?

Secretary FREEMAN. That is correct.

Mr. POAGE. Therefore, it would seem rather clear if there is any merit—and I think there is—in the idea that the market will point out the things that are really in demand—then is it not true that the market has already pointed out that Soft Red Winter wheat is not in as great demand as Hard Red Winter wheat is and that possibly some of those who want you to pay a bonus on Soft Red Winter wheat are afraid to submit their case to the market?

Secretary FREEMAN. You make a valid point.

Mr. LATTA. Will you yield there?

Mr. POAGE. I have yielded to Mr. Teague.

Mr. TEAGUE of California. Your statement dealt primarily with wheat, feed grains, rice, wool, and cotton, and the plight of the small farmer. I make no criticism of that. I am distressed, however, that there is no recognition in your statement as of now, anyway, of the plight of scores of thousands of small farmers particularly in the west who find themselves unable to procure labor to harvest their crops and a better understanding of this situation by the administration. And, also, the right to plant more acres in sugarbeets. You have made no mention of sugarbeets or farm labor in your statement.

Secretary FREEMAN. Well, Mr. Teague, my statement here was, of course, addressed primarily to the bill just submitted by the President.

Mr. TEAGUE of California. I realize that. You did mention cotton. But you did not include it in this bill. I would hope that you would recognize the plight of these small farmers. The large farmers will come out of this all right, perhaps, with some loss of money, but they will not go under, but I am very much afraid that many of the small farmers are going to go under.

Secretary FREEMAN. I share your concern with this problem. We have been watching it very closely and have been working with the growers as well as with the Members of Congress. We met with them repeatedly, as well as with the Secretary of Labor, in connection with this matter. We are keeping currently informed on almost an hourly basis as to the labor availability situation, and we are reviewing constantly with the Secretary of Labor actions that might be taken during this very difficult and painful transition period.

Mr. TEAGUE of California. I realize, of course, that we do not have time to get into that problem in detail now. I hope that you realize that there is this problem—that this is a problem in the West, and not only there, but also in the Northwest and all over the country in the harvest season when that comes on.

Secretary FREEMAN. I am well aware of that and share your concern on this subject.

The CHAIRMAN. Mrs. May.

Mrs. MAY. Mr. Chairman and Mr. Secretary, I associate myself with the concern expressed by my colleague from California, Mr. Teague about the pending farm labor shortage.

There is one part of your recommendations on this farm bill that I would like to ask one question on—the Wool Act extension. It seems to me, personally, that there is a lack of understanding of the economics of our domestic sheep industry in what you have recommended as your version of an extension of the Wool Act. For one thing it differs quite sharply from the terms in the extension of the Wool Act passed by this committee, by a very substantial majority recently.

In the first place, it does set up a series of graduated payments which are supposed to aid the financial condition of the farmer with a small flock of sheep. However, I do feel the fact is that the farmers in this country with a small number of sheep have them only as an incidental sideline enterprise on their farm. Sheep could not possibly be their main source of income or even the principal source. Therefore, it seems to me that increasing wool payments a few cents a pound on a small flock would not help these farmers financially. I have just done a rough arithmetical computation on this, but under the plan as announced if you do raise the incentive level from 62 to 66 cents for the small sheep producer, a man with 25 sheep would be helped to the magnificent extent of about \$8 a year. This won't help much getting him out of the poverty classification.

Another point is that our large sheep producers who live in arid regions cannot possibly engage in any other type of farming pursuit other than sheep raising. In figures from your own Department we know they have found their income below the cost of production the past few years.

My question to you is, Do you think it is really economically sound to penalize them, to reduce their income, so that the small farmer can have a very insignificant additional payment?

Secretary FREEMAN. We do not propose to penalize them—certainly not to cause liquidation. The range called for in payments to the large farmers would be higher than the level set by the subcommittee which has been working on this and also higher than the level that has been paid.

In other words, the payments could well reach higher than 62 cents a pound. So a penalty or a lack of income would not necessarily follow under this plan.

Further, in connection with the smaller sheep raisers, those who produce 2,000 pounds or less now receive \$14,500,000 in payments. I think that is a rather significant sum, and represents an important part of their income.

Mrs. MAY. I am talking about the individual producers, the individual effort. You have to apply the formula in the bill passed by this committee and compare it with the financial impact under your recommendations. And this would seem to me to be the economic effect of it. I hope that I am wrong and that you are right on this, Mr. Secretary, but of course we will have to analyze this thoroughly. In another area you have proposed a charge that was voted down by an almost unanimous vote in this committee. I do not want to take any further time, Mr. Chairman. I am sure that you will be hearing from us on this portion of your version of the wool extension part.

Thank you.

The CHAIRMAN. Mr. Findley.

Mr. FINDLEY. Mr. Secretary, I notice that under the rice program you provide for a variable system under which the small producer would get a larger payment.

Secretary FREEMAN. That is correct.

Mr. FINDLEY. Why have you not proposed the same advantage for the small producer of wheat?

Secretary FREEMAN. Well, frankly, in the wheat program which is functioning satisfactorily now, we believe that it already provides

special consideration for the small wheat producer under the new legislation. The program would permit him to retire as much as 50 percent of his allotment, and we thought that we would see first how graduated payments worked in rice and wool. The plan might be workable for other crops later.

Mr. FINDLEY. If we can figure out a way to apply this to the wheatgrower would you have any objection to placing it in this year's legislation?

Secretary FREEMAN. Well, we will have to take a look at it. One problem, of course, is that when you start looking at the numbers of wheat growers you run into some cost problems.

Mr. FINDLEY. I notice that you are proposing a cropland retirement program. Do you have any estimate as to how much you will actually have to pay to rent the land under that program? The reason that I ask is that the other day I saw a card that a farmer received from the county ASCS office in which he was notified that if he signed up for the feed grain program he would stand to gain more than \$90 an acre for the acres that he would divert. Under cropland retirement you would be competing with your own attractive payment under the feed grains program. I am wondering what price you think you would have to pay.

Secretary FREEMAN. Well, I think that will require more study but it seems quite logical that the Government will be able to get land diverted from production for a more favorable price when it is under contract for 5 or 10 years than when it is diverted for only 1 year at a time.

Mr. FINDLEY. Do you anticipate that you could get the price down to what was paid under the conservation reserve program?

Secretary FREEMAN. No; I do not think it will get down that low. The conservation reserve did not, in the main, get the top producing lands. Our basic purpose here, I have made clear, is not to get marginal land at all, and very little hay land. We would seek to get land that had allotments on base acreages—in other words the land which is producing crops that are not now needed.

Mr. FINDLEY. Soybean plantings have been increasing rather steadily each year, and the price paid is considerably above the loan level. In view of these facts, why is it you feel the Department needs to have the authority to have planting of soybeans on diverted acres, and still let the farmer get the payment-in-kind benefits? Is this not to get soybeans into Government bins?

Secretary FREEMAN. Well, we would seek to administer the program in such a way that that would not happen. We have been in a contrary position, where we really had very short supply conditions. Also it certainly is tough to keep the prices up when supplies are excessive. And there is a very real question that if soybean prices go over \$3, you could run into very serious problems of substitution. If you get prices too high, it can adversely affect our foreign markets. And so we would try to use this provision with care. If we had more soybeans now and less corn, we could use them, and that would represent a saving—it would represent a commodity that we need as distinguished from one of which we have a surplus supply.

Mr. FINDLEY. I would just like to state that in all of my contacts with Illinois farmers I have yet to find the first one who would like to see this authority granted to the Secretary, that is, to permit the

planting of soybeans on diverted acres or in substitution for corn on feed grain bases. Many have stated that they are concerned about this new proposal.

Secretary FREEMAN. Perhaps, they do not understand that the proposal is not that the authority shall be used. The proposal is that it may be used. I think, that any Secretary of Agriculture would move with great care before utilizing the authority, because we would not want to disturb the strong price situation in soybeans, but by the same token we need to protect that price. And a short supply and soaring price can be just as dangerous as an oversupply and disrupted prices.

Mr. FINDLEY. What about the soybean production increase as indicated by the intentions to plant 3 million additional acres this year without any special new incentives?

Secretary FREEMAN. I think if I had the authority, it would not be used now.

The CHAIRMAN. Mr. Dole.

Mr. DOLE. Mr. Secretary, what do you envision the average price to be for cooperating farmers who receive 100 percent of parity for domestic production plus whatever the export certificate might be valued at, plus the noncertificated wheat? Do you have any idea what the Department might expect the average return per bushel would be?

Secretary FREEMAN. It would depend upon, of course, on the free market price. And with the loan rate of \$1.25 it would depend a bit on the weather, and crop conditions, and the supply moving into the market. I would say that it would be between \$1.80 and \$1.90 a bushel.

Mr. DOLE. The point is, will the farmer really have an increase in income next year, even if Congress adopts the program?

Secretary FREEMAN. Yes; we think that the wheat farmers' income would be increased by from \$125 to \$150 million.

Mr. DOLE. I notice that on page 13 of your statement you refer to the voluntary wheat program. And then on page 18 you refer to keeping the wheat price low, and I quote, "We can't get farmers into the program."

Would that not be in conflict when we talk about a voluntary wheat program and also talk about keeping the price low more or less to force them into the program?

Secretary FREEMAN. Actually, that referred more to feed grains than to wheat. If the costs are too high, you, in effect, bid against yourself. We do not face this problem the same way in wheat because the differential between the market price and the certificate system and the support price is so great that there is healthy compliance with the program. No one has to participate in the program but there is a strong inducement.

Mr. DOLE. It does mention both wheat and feed grains in the same paragraph on page 18.

Secretary FREEMAN. They are tied together, as you know, because of substitution. The point I was making concerned the minimum sales price for CCC grain stocks, and I said that we can't operate an effective program at a minimum cost to the taxpayer if we are required to hold stocks from the market to obtain prices so far above loan levels that we can't get farmers into the program. Just suppose that

we had an effective program, and the market was 500,000 bushels short in feed grains. Well, presumably, then, we did not sell, the price on corn could run up to \$1.50. If we did that, the program would cost so much that we would not have a program any more.

Mr. DOLE. Somebody mentioned lowering the loan rate on wheat, or that is in the statement. Does somebody actually suggest the loan rate be lowered?

Secretary FREEMAN. A good many people, particularly people in the trade, felt that, if you lowered the loan rate on wheat or on feed grains and your program succeeded, you could snort the market and increase the market price to the level you would otherwise have had. And, in doing this, you would not get, let us say, your feed grains at such a high level that the program would be prohibitively costly. Conceivably and theoretically, that could be done.

Mr. DOLE. Have you any suggestion as to discretion with regard to support price of wheat at 65 to 100 percent of parity? Is this flexibility in the wheat program necessary?

Secretary FREEMAN. Yes; I think that we need a considerable degree of discretion and flexibility in connection with these programs. Changes are coming swiftly, and we have to tailor our programs to the changes taking place in agriculture. If a program has rigid standards or rigid levels, we lose much of the advantage that the program offers. And we would have grave problems in getting Congress to approve programs with standards that are too rigid.

The CHAIRMAN. We would like to announce that the Wheat Subcommittee and the Livestock and Feed Grains Subcommittee will meet again on Thursday to continue their consideration of their problems.

We will have to consider this new legislation.

With that, we will stand adjourned.

(Whereupon, at 2:35 p.m. the committee adjourned.)



and the market was not in a position to absorb the supply.

viii

at present the

the market is

the market is not in a position to absorb the supply.

the market is

History: OK 89-321

PLEASE RETURN TO USDA
NATIONAL AGRICULTURAL LIBRARY
LAW BRANCH, LEGISLATIVE REPORTS
Rm. 117-E, Admin Bldg.
Wash. D. C. Ext. 4654

COTTON

HEARINGS
BEFORE THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
EIGHTY-NINTH CONGRESS
FIRST SESSION
ON
H.R. 8149

MAY 26, 27; JUNE 1, 2, 3, 8, 9, 10, AND 14, 1965

Serial L

Printed for the use of the Committee on Agriculture



COTTON

HEARINGS
BEFORE THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
EIGHTY-NINTH CONGRESS
FIRST SESSION
ON
H.R. 8149

MAY 26, 27; JUNE 1, 2, 3, 8, 9, 10, AND 14, 1965

Serial L

Printed for the use of the Committee on Agriculture



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1965

COMMITTEE ON AGRICULTURE

HAROLD D. COOLEY, North Carolina, *Chairman*

W. R. POAGE, Texas, *Vice Chairman*

E. C. GATHINGS, Arkansas
JOHN L. McMILLAN, South Carolina
THOMAS G. ABERNETHY, Mississippi
WATKINS M. ABBITT, Virginia
PAUL C. JONES, Missouri
HARLAN HAGEN, California
FRANK A. STUBBLEFIELD, Kentucky
GRAHAM PURCELL, Texas
JAMES H. MORRISON, Louisiana
ALEC G. OLSON, Minnesota
SPARK M. MATSUNAGA, Hawaii
MASTON O'NEAL, Georgia
THOMAS S. FOLEY, Washington
JOSEPH Y. RESNICK, New York
LYNN E. STALBAUM, Wisconsin
ELIGIO DE LA GARZA, Texas
JOSEPH P. VIGORITO, Pennsylvania
JOHN C. MACKIE, Michigan
ROLLAND REDLIN, North Dakota
BERT BANDSTRA, Iowa
STANLEY L. GREIGG, Iowa
CLAIR CALLAN, Nebraska

PAUL B. DAGUE, Pennsylvania
PAGE BELCHER, Oklahoma
CHARLES M. TEAGUE, California
ALBERT H. QUIE, Minnesota
CATHERINE MAY, Washington
DELBERT L. LATTA, Ohio
RALPH HARVEY, Indiana
PAUL FINDLEY, Illinois
ROBERT DOLE, Kansas
LAURENCE J. BURTON, Utah
PRENTISS WALKER, Mississippi

RESIDENT COMMISSIONER

SANTIAGO POLANCO-ABREU, Puerto Rico

Mrs. CHRISTINE S. GALLAGHER, *Clerk*

HYDE H. MURRAY, *Assistant Clerk*

JOHN J. HEIMBURGER, *General Counsel*

FRANCIS M. LEMAY, *Staff Consultant*

CONTENTS

H.R. 8149, a bill to extend for 2 years the provisions for cotton equalization payments and domestic acreage allotments with modifications under the Agricultural Adjustment Act of 1938, as amended, and for other purposes-----	Page 2
Report on H.R. 8149 from the Department of Agriculture dated May 25, 1965-----	3
Statement of—	
Allen, R. H., Jr., of R. H. Allen & Co., Memphis, Tenn., vice president of the Southern Cotton Association-----	160, 184
Avent, Thomas E., president, Western Cotton Shippers Association, Fresno, Calif-----	158
Blackman, Emery, executive secretary, Old Cotton Belt Association of Texas-----	436
Bracey, Hilton, executive vice president, Missouri Cotton Producers Association-----	104
Brown, Ivy R., president, Oklahoma State Cotton Exchange-----	163
Camp, W. B., Bakersfield, Calif-----	255
Carriker, Max, president, Fisher County Farmers Union, Roby, Tex-----	118
Cortright, G. C., Jr., president, National Cotton Council-----	305, 347
Denena, Leon, president, Brazos Valley Growers Association, Bremond, Tex-----	122
DeVaney, C. H., president, Texas Farm Bureau-----	246
Dorn, Hon. W. J., a Representative in Congress from the State of South Carolina-----	428
Farmers Cooperative Enterprises, Inc., Dobson, Tex-----	125
Girder, Hon. George W., a Representative in Congress from the State of Tennessee-----	183
Godfrey, Horace D., Administrator, Agricultural Soil and Conservation Service-----	165
Graham, Harry L., legislative representative, the National Grange---	283
Greer, Thomas Keister, general counsel, Salyer Land Co., Corcoran, Calif-----	373
Griggs, Jere, Humboldt, Tenn-----	134
Heidelberg, Frederic, North Carolina Cotton Promotion Association and Upland Cotton Growers, Inc., Raleigh, N.C-----	136, 216
Holding, W. W. III, vice president, Atlantic Cotton Association, Wake Forest, N.C-----	209
Julian, Terry, executive director of Rolling Plains Cotton Growers, Inc-----	224
Kempner, Harris L., president, American Cotton Shippers Association, Galveston, Tex-----	200
Lynn, John C., legislative representative, American Farm Bureau Federation-----	295
McCallum, Robert F., on behalf of the Committee for a Free Cotton Market, Inc-----	240
Murphy, Hon. Charles S., Under Secretary of Agriculture-----	6, 79
Naman, Jay, president, Texas Farmers Union, Waco, Tex-----	117
Nichols, State Senator Bill, chairman, Alabama Legislative Cotton Study Committee; presented by Maynard Layman-----	227
Old Cotton Belt Association of Texas-----	152
Osborne, Gordon, chairman of Northern Textile Association, 80 Federal Street, Boston, Mass-----	371

Statement of—Continued	Page
Owen, A., for the Dallas Cotton Exchange.....	262
Pate, Joe, Lubbock, Tex.....	122
Prince, Darwin, on behalf of Lubbock Cotton Exchange.....	242
Ray, C. B., chairman, Cotton Producers Legislative Committee....	137, 403
Reynolds, John Arthur, executive vice president, Western Cotton Growers Association of California.....	431
Rhodes, F. Marion, president, New York Cotton Exchange, New York, N.Y.....	269
Sanders, Stewart, Pine Bluff, Ark., president, Arkansas-Missouri Cotton Trade Association.....	161, 193
Schwartz, Benjamin, New York City, on behalf of the Textile Dealers Association of America, Inc.....	236
Smith, J. Craig, president of Avondale Mills, Inc., Sylacauga, Ala....	351
Thompson, Hon. Clark W., a Representative in Congress from the State of Texas.....	199
Traylor, George H., Jr., representing the Texas Cotton Association...	154
Correspondence submitted to the committee:	
Alabama Farm Bureau Federation, Montgomery, Ala., letter dated June 7, 1965.....	372
American Federation of Labor & Congress of Industrial Organizations, Washington, D.C., letter with enclosures dated June 17, 1965...	437
City Garage & Equipment Co., Calvert, Tex., letter dated April 27, 1965.....	133
Cutter, Robert C., Rock Hill, S.C., letter dated June 26, 1965.....	449
DaCosta Ginnery, Victoria, Tex., letter dated May 27, 1965.....	448
Georgia Cotton Warehouse & Compress Association, Waynesboro, Ga., letter dated May 25, 1965.....	448
Mississippi County Farm Bureau, Osceola, Ark., letter dated June 16, 1965.....	437
Peoples State Bank, Turkey, Tex., letter dated May 24, 1965.....	123
Peterson, Lawrence, Garland, Tex., telegram dated May 28, 1965....	448
Planters & Merchants State Bank, Hearne, Tex., letter dated May 14, 1965.....	134
Rolling Plains Production Credit Association, Stamford, Tex., letter dated March 22, 1965.....	124
Summary of Wheeler County, Tex., FHA borrowers.....	124
T. & T. Implement Co., Bryan, Tex., letter dated April 30, 1965.....	133
The First National Bank, Quitaque, Tex., letter dated May 24, 1965...	124
U.S. Senate, Washington, D.C., letter of Ralph W. Yarborough, dated May 21, 1965.....	132
Additional information submitted to the committee:	
Acres of released cotton allotments.....	85
Competing fibers.....	100
How a major cut in cotton acreage could affect the American agricultural economy, National Cotton Council.....	330
Operation of the 1964 loan program; 1965 loan program for cotton, and USDA announces changes in cotton loan program.....	180
Our objections and reasons for proposed changes in skip-row planting rules, Cattle County, Tex., cotton farmers.....	129
Power of attorney (2 illustrations).....	169-170
Proposed skip-row rule change threatens ruin for thousands of American cotton growers, from the Congressional Record, May 17, 1965.....	127
Résumé of Commodity Credit Corporation's cotton price support programs.....	166
Secretary of Agriculture errs in trying to end skip-row planting of cotton in dryland areas, from the Congressional Record, May 20, 1965.....	130
Senator Ralph Yarborough's newsletter.....	130
The costs and benefits of competitive one-price cotton, by M. K. Horne, Jr.....	311
The effect of elimination of skip-row planting of cotton on acreages of other crops.....	91
World exports of cotton and foreign free world production and consumption of cotton (2 charts).....	203-204

COTTON

WEDNESDAY, MAY 26, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to notice, at 10:20 a.m., in room 1301 Longworth House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley (presiding), Poage, Gathings, Abernethy, Abbitt, Jones of Missouri, Purcell, Matsunaga, O'Neal, Stalbaum, De La Garza, Vigorito, Redlin, Greigg, Callan, Dague, Belcher, Teague of California, Quie, Latta, Findley, Dole, and Walker.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimbürger, general counsel; Francis LeMay, consultant, and Martha Hannah, staff.

The CHAIRMAN. The committee will be in order. We have with us this morning the Honorable Charles S. Murphy, the Under Secretary of Agriculture, and Horace D. Godfrey, Administrator of the ASCS, both of whom are North Carolinians. We regret very much, Mr. Secretary, that this will be your last appearance before this committee in your capacity as Under Secretary of Agriculture. You have made a great contribution to the cause of agriculture and I am sure that I express the views of all of the members of this committee in saying that we regret very much your leaving the Department of Agriculture.

Mr. BELCHER. Will you yield?

The CHAIRMAN. Yes.

Mr. BELCHER. I want to say that we, too, certainly regret seeing you leave.

Mr. MURPHY. Thank you.

The CHAIRMAN. We have before us H.R. 8149, a bill that I introduced which is covered in the statement that I issued yesterday about the bill. I am sure that there will be some controversy in some respects to this bill. We have been waiting here for many weeks and months, realizing that something had to be done to protect the cotton industry and the cotton farmer, the cotton processor, and the cotton distributor. I introduced the bill with the idea to "put the show on the road."

I want to assure everybody that they will be given an opportunity to be heard, and to express their views fully concerning this bill.

I think that the cotton program we have needs to be revitalized, to cause full employment for the workers. I am advised that the plants have plans for a tremendous expansion and modernization of their plants. The industry is probably going to go forward with the idea of increasing the domestic consumption of cotton by 1 million bales,

but the fact remains that even with all that has been accomplished, we have a carryover of cotton, I think, of around 14 million bales.

I introduced the bill which contains a reduction in the minimum acreage of from 16 to 14 million acres. I am not an expert in this field nor am I an economist but I do know that we cannot continue an increase in the production of cotton, and that something must be done.

On the other hand, if something is not done I think that the industry will be worse off by far than we were when we started this program about a year and a half ago. I think that the cotton farmers are willing to make their contribution, to take the reduction.

In tobacco, we took quite a tremendous reduction over the years. If we apply that same principle to cotton it would bring about some reduction and decrease the carryover.

I want everybody to feel that they will have an opportunity to study all aspects of the problem. I realize that since the hearings are starting today, and we received the report just recently, that many people will want a chance to study the Secretary's report of the bill. I do not want anyone to feel that they will be rushed into testifying.

With those few comments, I now recognize Mr. Murphy and we will be very glad to hear you, Mr. Murphy. I will ask the members of the committee not to interrupt you until you have finished your statement and then you will be available for questions from members of the committee.

(H.R. 8149 together with the Department's report dated May 25, 1965, follow:)

[H.R. 8149, 89th Cong., 1st sess.]

A BILL To extend for two years the provisions for cotton equalization payments and domestic acreage allotments with modifications under the Agricultural Adjustment Act of 1938, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Adjustment Act of 1938, as amended, is amended, effective beginning with the 1966 crop, as follows:

(1) Section 342 of the Act is amended by changing the last sentence thereof to read as follows: "Notwithstanding any other provision of this Act, the national marketing quota for upland cotton for 1966 and subsequent years shall not be less than the number of bales required to provide a national acreage allotment for each such year of fourteen million acres."

(2) Section 348 of the Act is amended by changing the figure "1966" in two places to the figure "1968"; by deleting the words "other than producers" therefrom; and by adding the following new sentences at the end thereof: "The Secretary shall not require as a conditions for any payment hereunder that a quantity of cotton equal to that on which payment is made shall be domestically consumed or exported. Payment hereunder shall be made irrespective of whether the cotton is domestically consumed or exported within the period authorized herein."

SEC. 2. Subsection (b) of section 103 of the Agricultural Act of 1949, as amended, is amended, effective beginning with the 1966 crop of upland cotton, by changing the phrase "on the 1964 and 1965 crops" in the first sentence thereof to "on the 1964, 1965, 1966, and 1967 crops"; and by changing the second sentence thereof to read as follows: "Such additional support shall be at a level up to 25 per centum in excess of the basic level of support established under subsection (a) and shall be provided on the normal yield of the acreage planted for harvest within the farm domestic allotment: *Provided*, That if the farm acreage allotment before any reapportionment of acreage would provide a farm domestic allotment of fifteen acres or less and the acreage of cotton planted on the farm does not exceed the farm domestic allotment, such additional support shall be made available on a quantity of cotton determined by multiplying

such farm domestic allotment, less any acreage now planted because of benefits received under any other program, by the farm normal yield and, notwithstanding any other provision of law, such allotment shall be regarded as planted to cotton for such year."

SEC. 3. Subsection (c) of section 103 of the Agricultural Act of 1949, as amended, is amended, effective beginning with the 1966 crop of upland cotton, by deleting the last sentence thereof, and adding the following language at the end thereof: "Notwithstanding the foregoing provisions of this section, if the Secretary is unable because of lack of funds or for other reasons to provide the levels of combined support authorized under this section for any crop of upland cotton, price support loans shall be made available for such crop at such level not more than 90 per centum nor less than 65 per centum of the parity price therefor."

DEPARTMENT OF AGRICULTURE,
Washington, D.C., May 25, 1965.

Hon. HAROLD D. COOLEY,
*Chairman, Committee on Agriculture,
House of Representatives.*

DEAR MR. CHAIRMAN: This is in response to your request for a report on H.R. 8149, a bill to extend for 2 years the provisions for cotton equalization payments and domestic allotments with modifications under the Agricultural Adjustment Act of 1938, as amended, and for other purposes.

The bill would extend the cotton equalization payment program under section 348 of the Agricultural Adjustment Act of 1938, as amended, and the domestic acreage allotment program under section 103 of the Agricultural Act of 1949, as amended, with certain modifications, for an additional 2-year period to cover the 1966 and 1967 crops of upland cotton. The major modifications which the bill would make in the programs now in effect are as follows:

1. Equalization payments could be made to producers as well as others.
2. Change in minimum acreage allotment.
3. Change in domestic allotment payment rate.
4. Pay small farmers whether their domestic allotment is planted or not.

All provisions of this bill would become effective beginning with the 1966 crop of upland cotton.

Paragraph (1) of section 1 of the bill would amend section 342 of the Agricultural Adjustment Act of 1938, as amended, to reduce the minimum national acreage allotment for upland cotton from 16 to 14 million acres.

Paragraph (2) of section 1 of the bill would amend section 348 of the Agricultural Adjustment Act of 1938, as amended, to extend the cotton equalization payment program to cover the 1966 and 1967 crops with authority to make payments through July 31, 1968. The payments may be made to producers or to other persons. This would change the present provision of law which precludes such payments to producers. Payments would not be conditioned upon proof of domestic consumption or export of a quantity of cotton equal to that on which payment is made.

Section 2 of the bill would amend subsection (b) of section 103 of the Agricultural Act of 1949, as amended, to extend the domestic acreage allotment price-support program for an additional 2-year period to cover the 1966 and 1967 crops. The additional support would be authorized at a level up to 25 percent of the basic level of support. This would increase the maximum level of 15 percent for such support applicable to the 1964 and 1965 crops to a maximum level of 25 percent for such support applicable to the 1966 and 1967 crops. Furthermore, the additional support would be made available, in the case of any farm for which the farm acreage allotment, before any reapportionment of acreage, would provide a farm domestic allotment of 15 acres or less and on which the acreage planted to cotton on such farm does not exceed the farm domestic allotment. The additional support would be based on the farm normal yield multiplied by the acreage in the farm domestic allotment less any acreage not planted because of benefits received under any other program. Accordingly, it would not be necessary for a producer on such a farm to plant any cotton to become eligible for payment under the domestic allotment program although the producer would be free to plant all or part of the farm domestic allotment and be eligible for payment under the program on the basis of the entire farm domestic allotment. A farm which received reapportioned acreage would be eligible for additional sup-

port only on the basis of acreage planted to cotton for harvest within the farm domestic allotment. In other words, additional support payments would not be increased by use of reapportioned acreage in the case of the minimum farm domestic allotment unless the cotton acreage is planted for harvest within the farm domestic allotment. The acreage history for such farm would be preserved even though no cotton or only part of the cotton allotment was planted.

Section 3 of the bill would amend subsection (c) of section 103 of the Agricultural Act of 1949, as amended, to eliminate the requirement that the Secretary deduct reasonable costs of storage and other carrying charges in the case of any payment-in-kind certificate not presented for redemption within 30 days of its issuance. In addition, if the Secretary should be unable because of lack of funds or for other reasons to provide the levels of combined support authorized under subsections (a) and (b) of section 103 of the Agricultural Act of 1949, as amended, for any crop of upland cotton, he would be required to make price-support loans available at such level not more than 90 percent nor less than 65 percent of the parity price for upland cotton of such crop.

This bill, if enacted, will continue the one-price system for cotton. We think this is desirable. If domestic textile mills have to pay a higher price for cotton than their foreign competitors, this will encourage increased use of synthetic fibers and will cause increased imports of textiles.

If equalization payments are made to producers or to so-called first buyers on cotton produced in 1966, a problem will exist beginning August 1, 1966, with respect to stocks of 1965 and prior crop cotton held by domestic users and others on which equalization payment under the 1964-66 program has not been made because proof of consumption or export could not be furnished by the July 31, 1966, closing date for the program. To avoid large losses to the holders of any such cotton and to encourage them to continue full-scale operations before and after August 1, 1966, it appears that the bill should authorize the Secretary of Agriculture to extend the time for submitting proof of consumption or export under the 1964-66 equalization program or to make inventory payments under such program on any stocks held at the close of business July 31, 1966, on which payments have not been made under the 1964-66 program.

The carryover of cotton at the end of the 1965-66 marketing year will be about 14 million bales and, if new legislation is not enacted, the 1966-67 ending carryover will be considerably higher than any previous record. If we are to avoid a continuing buildup of stocks, changes must be made in current legislation which will reduce the acreage planted to cotton. Yields have increased an average of over 15 pounds per acre per year since the end of World War II. At current domestic and export price levels, the estimated domestic consumption and exports for 1966 could be produced on around 12.5 to 13 million harvested acres. On the basis of present estimates for domestic consumption and exports in 1966-67, and since other legislation requires that historical yields (1961-64) be used in determining the 1966 allotment, it now appears that the 1966 allotment would be around 14.5 million acres (including a national reserve of 310,000 acres), even though the minimum were reduced as provided in the bill.

The provision which permits a larger domestic allotment payment will increase participation in the domestic allotment program. This will help to bring production in line with offtake. But since the total domestic allotment, which is based on past yields, will be almost 11 million acres (including the small farms which make no reduction), the domestic allotment program alone will not reduce production sufficiently to avoid the necessity for a reduction in the national allotment.

The proviso for making domestic allotment payments to small farmers who have domestic allotments of 15 acres or less without requiring them to plant cotton will assist the small producers financially and will also help to reduce stocks of cotton.

An additional possibility for achieving part of the necessary reduction in production of cotton is through a change in the regulations relating to skip-row planting which would provide that cotton planted in skip-row patterns would be counted against acreage allotments on a basis more nearly commensurate with the increased yields resulting therefrom.

In summary, the changes made by this bill would be sufficient to accomplish the necessary reduction in production if they are accompanied by a change with respect to skip-row planting as indicated above. Otherwise, the reductions possible under this bill would not be sufficient.

We have several modifications to suggest in the language of the bill, and a slight change in section 407 of the Agricultural Act of 1949, as amended. First we suggest that the sentence added by section 3 of the bill beginning on line 14, page 3, is unnecessary. The action which this sentence would require the Secretary to take is merely the action which would be required of him in the absence of this sentence. Our other suggestions are as follows:

1. Page 1, line 4, strike out the language “, effective beginning with the 1966 crop,”.

2. Change the two sentences on page 2, beginning after the colon in line 7, to read as follows:

“Any payments made for the period August 1, 1966, through July 31, 1968, shall be made irrespective of whether the cotton is domestically consumed or exported within such period. The Secretary may extend the period for performance of obligations incurred in connection with payments made for the period ending July 31, 1966, or may make payments on raw cotton in inventory (excluding cotton from the 1966 crop) on July 31, 1966, at the rate in effect on such date.”

3. Add the following new paragraph at the end of section 1 of the bill:

“(3) Section 350 of the Act is amended by changing the phrase ‘for the 1964 and 1965 crops’ in the first sentence thereof to ‘for the 1964, 1965, 1966, and 1967 crops’.”

4. Change the first three lines of the proviso beginning on page 2, line 24 and ending on page 3, line 1 to read as follows:

“*Provided*, That if the farm domestic allotment on a farm receiving no reapportioned acreage is 15 acres or less and the acreage * * *.”

5. Add a new section 4 to the bill to read as follows:

“SEC. 4. Section 407 of the Agricultural Act of 1949, as amended, is amended by adding a new proviso after the second proviso in the third sentence thereof to read as follows:

“‘*And provided further*, That from August 1, 1966, through July 31, 1968, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current loan rate for such cotton under section 103(a) less the current equalization payment rate under section 348 of the Agricultural Adjustment Act of 1938, as amended, plus reasonable carrying charges:’.”

An essential requirement of cotton legislation is that it substantially reduce the cost of the cotton program. We believe that H.R. 8149 would be adequate to accomplish the reductions in program costs and carryover (with the change in skip-row) which are essential if the present cotton program is to be continued. Under this bill expenditures for the cotton program would be reduced to about \$500 to \$600 million. However, we do not believe it provides the program changes which are necessary to assure the most effective marketing of cotton for export.

Under H.R. 8149, as under the present law, it will be inescapable that cotton export price levels will be closely managed by the Government, with Government subsidies being used to make it possible for U.S. cotton to compete in world markets and with Government funds being used to finance these subsidies. This places a heavy burden upon the Department to conserve Government funds and to observe rules of international trade so long as cotton is produced for export at a price above the world price.

In order to increase substantially the use of U.S. cotton in competition with cotton grown in other countries and with manmade fibers abroad, market prices for U.S. cotton would have to drop substantially from their present levels. Under H.R. 8149, we would still be faced with a sharp rise in Government expenditures for the cotton program if we were to increase the equalization payments in order to lower market prices.

Legislation which would authorize loans by CCC near world price levels with supplementary payments to producers participating in the program would be more flexible and would enable the market to determine prices. Otherwise the price level would be directly tied to expenditures by the Government, as under present procedures. Under such a program, it might be possible to increase exports without so drastically increasing Government expenditures and still maintain farm income at reasonable levels.

We emphasize that we do not think the Government should finance significantly larger exports of cotton at a high rate of subsidy. However, if, in the judgment of the Congress, farmers are willing to sacrifice world markets in exchange for high price supports and market prices which encourage the use of foreign

growths of cotton and manmade fibers abroad, H.R. 8149 could make it possible to accomplish the necessary reductions in program expenditures and in the cotton carryover. Under the conditions outlined herein, we will not object to the enactment of H.R. 8149, although we would recommend a loan near world price levels with supplementary payments to producers participating in the program as an alternative which would be more beneficial to U.S. producers in the long run.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

(S) ORVILLE L. FREEMAN.

STATEMENT OF HON. CHARLES S. MURPHY, UNDER SECRETARY OF AGRICULTURE; ACCOMPANIED BY HORACE D. GODFREY, ADMINISTRATOR, ASCS, U.S. DEPARTMENT OF AGRICULTURE; AND JOE MOSS, ASCS, FRANK COOKE, ASCS; AND FRANK LOWENSTEIN, STAFF ECONOMIST GROUP (SEG)

Mr. MURPHY. Mr. Chairman and members of the committee, first, I would like to express my appreciation to you and to Mr. Belcher for your very kind remarks about my service as Under Secretary of Agriculture.

It has been a great privilege to serve in that capacity and to have the honor of appearing from time to time before this committee. The committee has been very kind and considerate and I am grateful for that. I would say in all candor that I have enjoyed my appearances here along with everything else.

I am glad to have this opportunity to testify concerning cotton and proposed new legislation.

Before discussing the recently introduced Cooley bill (H.R. 8149), let me briefly review the current cotton program and point out the legislative situation which will exist at the end of the 1965 crop year if no new law is enacted.

The Agricultural Act of 1964 has now been in effect over 13 months. Some of its major purposes have been accomplished; others have not. However, there appears to be general agreement that removal of the inequity under which U.S. textile mills operated from 1956 to 1964 was a milestone, or turning point in the industry and that progress made with the one-price system for cotton should be continued.

I would like to give you a summary report covering operations under the 1964 crop year program, including the interim program which provided for PIK equalization payments on cotton consumed by domestic users from April 11, 1964, through July 31, 1964:

(1) Domestic consumption is up by about 900,000 bales. U.S. textile mills are obtaining cotton at prices no higher than our export prices. Under the PIK equalization program, payments are being made at the rate of 6.5 cents per pound. After payment is made to approved cotton handlers, the cotton moves through trade channels at the same price either for domestic use or export. Submitting proof to CCC that an equivalent poundage of cotton is domestically consumed or exported is required of cotton handlers who receive this payment. A cotton handler may, however, transfer this obligation to another approved cotton handler. For the current marketing year, it is estimated that these payments will approximate \$305 million on cotton consumed domestically.

With mills using substantially more cotton than in 1963-64, consumption of rayon on the cotton system has recently declined.

Other hoped for and expected developments have not yet materialized. Price reductions for textiles to consumers are still around the corner; consumption of noncellulosic fibers has continued to expand rather than level out or decrease; and for the 1964 calendar year there was little change in the volume of textile imports or exports. Farmers had a good 1964 crop. Over 15 million bales were produced on less than 14 million harvested acres. The farm value of production (including domestic allotment payments but not cottonseed) was maintained at a reasonably high level—nearly \$2.3 billion. Several factors account for a crop in 1964 nearly as large as 1963. Late passage of the 1964 law gave most farmers little or no opportunity to plan 1964 crop operations to participate in the domestic allotment program. Farmers did reduce 1964 plantings about 500,000 acres under this program, but total production was not greatly affected since much of the reduction was on farms with poor crop prospects.

Other developments to be noted with respect to the big 1964 crop are (a) a record high yield for upland cotton of 517 pounds per acre, (b) further expansion of planting in skip-row patterns to 2.5 million acres, and (c) release and reapportionment activity at nearly the same level as in 1963—about 1.5 million acres.

(3) Exports are estimated at 4.5 million bales, down from 5.7 million last year. It is our judgment that world production at a record-high level and increased consumption of manmade fibers are the major factors responsible for our exports situation. About 45 percent of U.S. exports this season will involve cotton shipped under Public Law 480, Export-Import Bank financing, barter contracts and the CCC credit sales program.

(4) With the 15-million-bale crop, carryover will increase during this marketing year by 1.3 million bales.

(5) Expenditures for the cotton program in fiscal 1965 will reach nearly \$900 million, but some \$150 million of this amount is a one-time cost connected with the transition to the new program.

Moving on now to the 1965 crop year, the outlook is as follows:

(1) Another 15 million bale crop seems likely, even though farmers have already signed up to reduce plantings under the domestic allotment program by 1 million acres. Mainly responsible is the estimated 530-pound yield per acre from the 1965 crop—up 13 pounds over the 1964 yield.

(2) We believe disappearance will be higher for the 1956-66 season, with estimates of 9.5 million bales used domestically and exports of 5 million bales. In connection with exports, I might add that the 24th Plenary Meeting of the International Cotton Advisory Committee is now being held here in Washington. The prospects are reasonably bright for most of the principal cotton exporting countries to establish an international organization for the purpose of carrying out intensive cotton market development and utilization research programs in Western Europe and Japan. The United States, of course, strongly supports this move to increase demand for cotton in these important foreign markets.

(3) Farm value of production from the 1965 crop, including domestic allotment payments but not cottonseed, is estimated at near \$2,250 million.

(4) Carryover stocks on August 1, 1966, are expected to rise to nearly 14 million bales.

(5) Program expenditures probably will decline to about \$725 million.

This review of the 1964 and 1965 crop years points up the fact that the minimum national acreage allotment of 16 million acres is capable of producing more cotton than we are able under present conditions to consume domestically and export. And, of course, production of excessive supplies means added Government expenditures since the surplus moves into CCC's inventory through the loan program.

In the face of this situation the President, in his farm message, recommended that the 1964 act be extended and improved, emphasizing the need for changes which would reduce stocks and costs.

It is desirable that new cotton legislation be enacted during this session of the Congress in order to be fully effective beginning with the 1966 crop year. Unless new legislation is enacted, it seems certain that returning to the provisions of law which would govern the 1966 programs would quickly erase the progress made during 1964 and 1965. The price-support level for the 1966 crop would be established at not less than 65 percent or more than 90 percent of the parity price and, even if it were assumed that the minimum level would be used, the support rate for Middling 1-inch cotton would be close to 28 cents.

In order to maintain exports in accordance with the provisions of section 203 of the Agricultural Act of 1956, it is assumed that an export subsidy of about 5 cents would be required.

Thus, for the 1966-67 marketing year U.S. users of cotton would be called upon again to operate under the so-called two-price system. This inequitable pricing structure would probably cause an accelerated shift to manmade fibers.

Although legislation is very necessary for the 1966 crop and subsequent crops, an extension of the present program without changes would not be enough to meet the problem. Both program costs and carryover would continue to increase, due mainly to increased yields. We estimate that the 1965 program applied to the 1966 crop without change would result in expenditures of about \$830 million and an increase in the carryover of more than a million bales. Changes are necessary therefore, as indicated in the President's message, to reduce these costs and surplus stocks.

The Cooley bill (H.R. 8149) would extend for an additional 2 years the provisions for cotton equalization payments and the domestic allotment program with certain modifications, as follows:

1. Equalization payment could be made to producers as well as others.

2. The minimum national acreage allotment would be reduced.

3. The domestic allotment payment rate could be larger.

4. Small farmers would be eligible for the additional price support payment whether cotton is planted or not.

The Department submitted its report on the bill to this committee yesterday. I would like to quote some excerpts from that report:

This bill, if enacted, will continue the one-price system for cotton. We think this is desirable. If domestic textile mills have to pay a higher price for cotton than their foreign competitors, this will encourage increased use of synthetic fibers and will cause increased imports of textiles.

Further quoting from the Department's report:

This carryover of cotton at the end of the 1965-66 marketing year will be about 14 million bales and, if new legislation is not enacted, the 1966-67 ending carryover will be considerably higher than any previous record. If we are to avoid a continuing buildup of stocks, changes must be made in current legislation which will reduce the acreage planted to cotton. Yields have increased an average of over 15 pounds per acre per year since the end of World War II. At current domestic and export price levels, the estimated domestic consumption and exports for 1966 could be produced on around 12.5 to 13 million harvested acres. On the basis of present estimates for domestic consumption and exports in 1966-67, and since other legislation requires that historical yields (1961-64) be used in determining the 1966 allotment, it now appears that the 1966 allotment (that is under the new bill) would be around 14.5 million acres (including a national reserve of 310,000 acres), even though the minimum were reduced as provided in the bill.

Continuing to quote from the Department's report:

The provision which permits a larger domestic allotment payment will increase participation in the domestic allotment program. This will help to bring production in line with offtake. But since the total domestic allotment, which is based on past yields, will be almost 11 million acres (including the small farms which make no reduction), the domestic allotment program alone will not reduce production sufficiently to avoid the necessity for a reduction in the national allotment. The proviso for making domestic allotment payments to small farmers who have domestic allotments of 15 acres or less without requiring them to plant cotton will assist the small producers financially and will also help to reduce stocks of cotton.

An additional possibility for achieving part of the necessary reduction in production of cotton is through a change in the regulations relating to skip-row planting which would provide that cotton planted in skip-row patterns would be counted against acreage allotments on a basis more nearly commensurate with the increased yields resulting therefrom.

In summary, the changes made by this bill would be sufficient to accomplish the necessary reduction in production if they are accompanied by a change with respect to skip-row planting as indicated above. Otherwise, the reductions possible under this bill would not be sufficient.

An essential requirement of cotton legislation is that it substantially reduces the cost of the cotton program. We believe that H.R. 8149 would be adequate to accomplish the reductions in program costs and carryover (with the change in skip-row) which are essential if the present cotton program is to be continued. Under this bill, expenditures for the cotton program would be reduced to about \$500 to \$600 million. However, we do not believe it provides the program changes which are necessary to assure the most effective marketing of cotton for export.

That is the end of the quotations from the Department's report.

One of the most perplexing and difficult questions confronting us is what to do about cotton exports. Everyone agrees that our cotton should be offered for sale competitively in the world market. The question is: How is this to be done? Is it to be done by U.S. cotton-growers producing for export on a competitive basis; or is it to be done by having the U.S. grower produce cotton for export at a price higher than the world price—protected by Government price-support programs—then have the price lowered to competitive world levels at Government expense?

If it is the latter, the cost of this phase of the program over a period of years cannot be less than the difference between what the farmer gets and what the exporter pays, multiplied by the quantity of cotton exported.

The idea that this cost is not incurred by the Government if the cotton is already in CCC inventory is erroneous. It is true that the cost has already been incurred, at the time CCC acquired the cotton.

However, if growers are to continue to produce additional cotton at a price higher than the price paid by exporters and domestic users, the Government will have to pay that difference or else pay the producer for the cotton at the higher price. If CCC is selling cotton from its inventories for whatever it can get for it, no one is going to pay the farmer a higher price for new crop cotton. Thus, CCC will have to make an equalization payment on the new crop cotton—about equal to the difference between the support price and the CCC selling price—or it will take the cotton in under the price-support program. In either case, CCC at one time or another will bear the cost of bringing the price down from one level to the other.

It has been urged that CCC should announce that it will sell enough cotton to achieve annual exports of 6 million or even 7 million bales, for whatever price it can get. Let's look at the arithmetic of this. If 6 million bales of cotton were exported instead of 5 million, the export subsidy would be increased 20 percent even if the world price did not go down. If, in addition, exporting the additional million bales reduces the world price of cotton 3 cents a pound, as our technical experts estimate it might, \$15 a bale Government cost is added on all the 6 million bales—another \$90 million. If, in addition, the price for domestic use must be brought down to the export price as is now the case, a corresponding \$15 a bale can be added for each of another 10 million bales—another \$150 million. Thus, the added cost to the Government of exporting the additional 1 million bales might well be in excess of \$250 million—twice the gross value of the million bales of cotton itself.

To export 7 million bales, our technical experts estimate it might be necessary to reduce the world price an additional 3 cents, bringing it down to between 16 and 17 cents a pound. To do this would require annual Government expenditures for the cotton program estimated at more than \$1.1 billion, in addition to \$356 million realized from a net reduction of 2.5 million bales in CCC inventory.

We should note that this would not be just a one-shot affair. If we could eliminate all our current surplus, it would still be necessary in the future to have offtake equal to production to keep the surplus from building up again. If production is to be 15 to 16 or 17 million bales, offtake will need to be 15 or 16 or 17 million bales. Under the kind of program we have now, the Government would have to continue bearing the cost of bringing all this cotton down from the price-support level to the world price level. And we could still be faced with the prospect that the world price would need to be near 17 cents to move this much cotton.

I would like to quote again from the Department's report on H.R. 8149:

Under H.R. 8149, as under the present law, it will be inescapable that cotton export price levels will be closely managed by the Government, with Government subsidies being used to make it possible for U.S. cotton to compete in world markets and with Government funds being used to finance these subsidies. This places a heavy burden upon the Department to conserve Government funds and to observe rules of international trade so long as cotton is produced for export at a price above the world price.

In order to increase substantially the use of U.S. cotton in competition with cotton grown in other countries and with manmade fibers abroad, market prices for U.S. cotton would have to drop substantially from their present levels. Under

H.R. 8149, we would still be faced with a sharp rise in Government expenditures for the cotton program if we were to increase the equalization payments in order to lower market prices.

Legislation which would authorize loans by CCC near world price levels with supplementary payments to producers participating in the program would be more flexible and would enable the market to determine prices. Otherwise the price level would be directly tied to expenditures by the Government, as under present procedures. Under such a program, it might be possible to increase exports without so drastically increasing Government expenditures and still maintain farm income at reasonable levels.

We emphasize that we do not think the Government should finance significantly larger exports of cotton at a high rate of subsidy. However, if, in the judgment of the Congress, farmers are willing to sacrifice world markets in exchange for high price supports and market prices which encourage the use of foreign growths of cotton and manmade fibers abroad, H.R. 8149 could make it possible to accomplish the necessary reductions in program expenditures and in the cotton carry-over. Under the conditions outlined herein, we will not object to the enactment of H.R. 8149, although we would recommend a loan near world price levels with supplementary payments to producers participating in the program as an alternative which would be more beneficial to U.S. producers in the long run.

That concludes, Mr. Chairman, the quotation from the Department's report and also concludes the text of my prepared statement.

I have attached to the statement a very considerable number of tables containing information relating to the cotton situation and its problems. The problem is so difficult that it seemed to us that it was fully warranted that we should provide to the committee a rather large body of information and statistics that have a bearing on the problem and possible solutions.

Thank you very much. Together with my colleagues we will be glad to try to answer such questions as we can.

The CHAIRMAN. The tables will be made a part of the record at this point.

(The tables follow:)

Summary of data on cotton

	Allot- ment (1,000 acres)	U.S. pro- duc- tion (mil- lion bales)	Con- sump- tion (1,000 bales)	Exports (1,000 bales)	Ending carry- over (1,000 bales)	CCC ending stocks	Loans (1,000 bales)	Acquired (1,000 bales)	Spot market average (cents)	Export subsidy or differ- ential	Loanrate, Middling 1-inch (cents)	Foreign free world produc- tion (million bales)	Foreign free world con- sump- tion (million bales)	Foreign free world exports (million bales)	Cotton acreage	
															United States (million acres)	Foreign free world (million acres)
1954	21,379	13.5	8,730	3,445	11,028	8.1	2,308	1,648	35.0	-----	34.03	15.9	18.7	7.2	19.2	43.5
1955	18,113	14.6	9,085	2,194	14,399	9.8	7,257	6,038	35.4	(1)	34.55	16.4	19.5	9.4	16.9	47.2
1956	17,391	12.9	8,496	7,540	11,269	5.2	4,830	3,677	33.5	7.2	32.74	15.9	20.9	6.7	2 15.6	45.9
1957	17,585	10.8	7,900	5,707	8,615	2.9	3,657	2,464	34.4	6.2	32.31	16.9	20.4	6.9	2 13.5	46.0
1958	17,554	11.3	8,594	2,766	8,733	7.0	6,832	6,039	34.5	6.5	35.08	17.5	20.5	9.0	2 11.8	46.8
1959	17,346	14.4	8,879	7,178	7,404	5.0	335	26 (A, B)	31.9	8.0	{ 34.10 (A) 28.40 (B)	16.6	22.2	8.4	15.1	45.0
1960	17,553	14.3	8,131	6,625	7,090	1.5	540	1 (A, B)	31.0	6.0	{ 32.42 (A) 26.63 (B)	19.0	23.5	8.5	15.2	46.0
1961	18,458	14.3	8,783	4,908	7,741	4.7	4,850	3,247	33.7	8.5	33.04	19.5	23.6	8.9	15.6	48.3
1962	18,101	14.7	8,258	3,348	11,016	8.0	6,853	4,744	33.5	8.5	32.47	21.9	23.2	10.9	15.5	48.8
1963	16,250	15.0	8,468	5,661	12,131	10.2	8,088	6,029	33.2	8.5	32.47	21.9	24.3	10.5	14.1	49.7
1964	16,200	15.0	3 9,400	3 4,500	13,350	10.1	7,300	3 5,200	3 30.8	6.5	30.00	22.4	24.9	10.8	14.0	49.8
1965	16,200	-----	-----	-----	-----	-----	-----	-----	-----	-----	29.00	-----	-----	-----	-----	-----

¹ Export differential on 1,000,000 bales averaged 7.5 cents per pound. There was no export differential on 1,200,000 bales.

² Acreage reserve program was in effect in the United States in 1956-58.

³ Estimate.

Upland cotton—Estimates of basic data for 1963, 1964, 1965, and 1966

Item	1963 crop (1)	1964 crop, March 1965 outlook (2)	1965 crop (29 plus 4.35 cents) (3)	Present law extended, 1966 (29 plus 4.35 cents) (4)
Acreage:				
Allotted.....thousands.....	16, 200	16, 200	16, 200	16, 200
Soil bank, conservation reserve.....do.....	562	450	396	350
Planted.....do.....	14, 700	14, 729	14, 100	14, 300
Harvested.....do.....	14, 070	13, 953	13, 600	13, 700
Yield, pound per acre harvested.....	517	517	530	545
Domestic allotment.....1,000 acres.....		10, 766	10, 425	10, 080
Domestic allotment.....percent.....		67	65	63
Domestic allotment.....1,000 bales.....				
Supply and utilization:				
Production.....do.....	15, 036	15, 031	15, 000	15, 550
Beginning stocks (including preseason ginning).....1,000 bales.....	11, 016	12, 125	13, 350	13, 950
Imports and city crop.....do.....	152	100	100	100
Domestic disappearance.....do.....	8, 468	9, 400	9, 500	9, 600
Exports.....do.....	5, 657	4, 500	5, 000	5, 000
Ending stocks.....do.....	12, 125	13, 350	13, 950	15, 000
Support price per pound (Middling 1-inch)				
cents.....	32. 47	30	29	29
Support price per pound (average of crop)				
cents.....	31. 7	29. 3	28. 3	28. 3
Domestic allotment payment rate.....do.....		3. 5	4. 35	4. 35
CCC minimum sales price, Middling 1-inch (export or domestic).....cents.....				
Effective price, domestic (average of crop)				
cents.....	32	23	23	23
Effective price, export (average of crop).....do.....	23. 5	23	23	23
PIK rate per pound.....do.....	8. 5	6. 5	5. 75	5. 75
Producer payments on domestic allotment acreage.....million dollars.....		40	71	71
Farm value of production.....do.....	2, 420	2, 250	2, 175	2, 255
Savings in direct cost on acres taken out of cot- ton (at \$70 per bale).....million dollars.....				
Total of production, payments, and sav- ings.....million dollars.....	2, 420	2, 290	2, 246	2, 326

Upland cotton—Comparison of estimated expenditures for 1963, 1964, 1965, and 1966

[In millions of dollars]

Fiscal year	1963-64, actual (1)	1964-65, March outlook (2)	1965-66 (29 plus 4.35 cents) (3)	1966-67, present law extended (4)
Major items of receipts or expenditures:				
Loans made.....	-1, 266	-1, 087. 5	-1, 029. 5	-1, 123. 7
Loans repaid.....	+288	+343. 3	+253. 7	+246. 5
Sales proceeds.....	+565	+638. 9	+676. 2	+676. 2
Storage and handling charges.....	-54	-58. 0	-56. 0	-58. 0
Subtotal, price support.....	-467	-163. 3	-155. 6	-259. 0
Export subsidy.....	-23	-13. 5		
Cotton products.....	-17	-3. 5		
Public Law 480.....	-170	-151. 0	-151. 0	-151. 0
PIK equalization payment (domestic and ex- port).....		-464. 7	-345. 0	-347. 9
Interim payments.....	-63	-25. 0		
Domestic allotment payments.....		¹ -57. 0	-71. 3	-71. 2
Total, major expenditures (excluding interest) ².....	-740	-878. 0	-722. 9	-829. 1
Change in CCC stocks (June 30) (from prior year).....	+1, 650, 000	+450, 000	+350, 000	+1, 050, 000

¹ Includes advance payments on 1965 domestic allotment program.² Does not include miscellaneous expenses of about \$2,000,000 primarily for cotton classing.

Bales used in computing expenditures for various programs

[Thousand bales]

Fiscal year	1963-64	1964-65, 30 plus 3.5 cents	1965-66, 29 plus 4.35 cents	Present law extended, 1966, 29 plus 4.35 cents
	(1)	(2)	(3)	(4)
Loans beginning July 1.....	4,786	6,156	5,200	5,550
Loans made.....	7,968	7,250	¹ 7,100	¹ 7,750
Loans repaid.....	1,880	(224+2,050)	(200+1,550)	(200+1,500)
Loans acquired.....	4,718	5,932	5,000	5,350
Loans ending June 30.....	6,156	5,200	5,550	6,250
Inventory July 1.....	4,136	4,403	5,800	5,800
Loans acquired.....	4,718	5,932	5,000	5,350
Sales.....	4,451	4,535	5,000	5,000
Inventory ending June 30.....	4,403	5,800	5,800	6,150
CCC stocks June 30.....	10,559	11,000	11,350	12,400
CCC stocks July 31.....	10,167	10,100	10,450	11,500
Free stocks July 31.....	1,964	3,250	3,500	3,500
Carryover July 31.....	12,131	13,350	13,950	15,000
Effective allotment acres.....		2,700 plus 1,500.....	2,700 plus 3,000.....	2,700 plus 2,200.
Domestic allotment acres.....		2,100 plus 1,000.....	2,100 plus 2,000.....	2,200 plus 1,400.
Normal yield and payment rate.....		385, at 3.5 cents.....	400, at 4.35 cents.....	455, at 4.35 cents.
Domestic allotment reduction.....		Minus 500.....	Minus 1,000.....	Minus 800.
Sales:				
Domestic PIK.....		2,535, at \$147.50.....	2,500, at \$142.50.....	2,500 at \$142.50.
Export.....		1,500, at \$115.....	2,000, at \$113.75.....	2,000, at \$113.75.
Public Law 480.....		500, at \$185.....	500, at \$185.....	500, at \$185.
PIK, equalization payment.....		14,300, at 6.5 cents.....	12,000, at 5.75 cents.....	12,100, at 5.75 cents.

¹ At \$145.

Cotton other than extra-long staple—Supply and distribution, United States, average 1935-39, 1945-49, and 1950 to date

[In thousands of bales] ¹

Year beginning Aug. 1	Supply					Distribution			
	Carry-over beginning of season	Production ²	Net im-ports	City crop	Total	Con-sumption	Net ex-ports	De-stroyed	Total
Average 1935-39.....	8,288	12,750	110	-----	21,148	6,858	5,297	57	12,212
Average 1945-49.....	5,814	11,902	122	23	17,862	8,913	3,927	34	12,874
1950.....	6,781	9,789	68	28	16,666	² 10,357	4,108	27	14,492
1951.....	2,196	14,983	26	40	17,244	³ 9,116	5,515	35	14,666
1952.....	2,741	15,031	61	42	17,874	³ 9,358	3,048	50	12,456
1953.....	5,511	16,295	50	43	21,899	8,475	3,760	75	12,311
1954.....	9,570	13,504	48	46	23,168	8,730	3,445	60	12,235
1955.....	11,028	14,591	51	47	25,718	³ 9,085	2,194	-----	11,278
1956.....	14,399	12,928	40	50	27,417	³ 8,496	7,540	-----	16,036
1957.....	11,269	10,783	41	58	22,151	³ 7,900	5,707	-----	13,607
1958.....	8,615	11,291	51	51	20,009	³ 8,594	2,766	-----	11,360
1959.....	8,733	14,435	48	50	23,226	8,879	7,178	-----	16,058
1960.....	7,404	14,287	42	63	21,796	³ 8,131	6,625	-----	14,756
1961.....	7,090	14,323	68	64	21,546	³ 8,783	4,906	-----	13,689
1962.....	7,741	14,712	55	68	22,575	³ 8,258	3,348	-----	11,606
1963.....	11,016	15,036	⁴ 48	102	26,204	³ 8,468	5,661	-----	14,129
1964 ⁵	12,125	⁶ 15,031	⁴ 35	80	27,271	-----	-----	-----	-----

¹ Running bales except imports which are in bales of 500 pounds.
² Includes inseason ginnings.
³ Adjusted to a cotton marketing year basis, Aug. 1-July 31.
⁴ Imports for consumption.
⁵ Preliminary and estimated.
⁶ Crop Reporting Board Report of May 10, 1965.

Special programs of the U.S. Government for financing cotton exports, fiscal years 1961-62 to 1964-65¹

Program	1961-62		1962-63		1963-64		1964-65 ²	
	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity
	<i>Million dollars</i>	<i>Million bales³</i>	<i>Million dollars</i>	<i>Million bales³</i>	<i>Million dollars</i>	<i>Million bales³</i>	<i>Million dollars</i>	<i>Million bales³</i>
Mutual Security Act.....	8.3	0.1	(4)	(4)				
Export-Import Bank ⁵	57.4	.4	54.9	0.4	61.4	0.5	76.8	0.6
Public Law 480:								
Title I.....	149.9	1.1	144.0	1.0	115.2	.9	110.6	.8
Title II.....	(6)	(7)						
Title IV.....	6.9	.1	26.0	.2	5.4	(7)	14.3	.1
Total ⁸	222.6	1.6	224.9	1.7	182.0	1.4	201.7	1.4
Barter.....	3.7	(7)	0	0	20.3	.2	⁹ 37.7	⁹ .3

¹ Authorized for delivery, shipment, and disbursement.

² Preliminary. Includes carryover as of July 31, 1964, and all authorizations through May 18 which may or may not be utilized in fiscal 1965. Does not include agreements for which authorizations have not been made.

³ Running bales partly estimated.

⁴ Mutual security program discontinued.

⁵ Includes only amounts advanced by participants or disbursed by others at Export-Import Bank risk.

⁶ Less than \$50,000.

⁷ Less than 50,000 bales.

⁸ Totals made from unrounded data.

⁹ July 1964-March 1965.

Production and percentage distribution of cotton by regions, United States, 1930 to date

Crop year beginning Aug. 1	Production (1,000 bales; 500 pound gross weight)					Percentage of U.S. crop			
	West ¹	South-west ²	Delta States ³	South-east ⁴	United States	West ¹	South-west ²	Delta States ³	South-east ⁴
1930.....	519	4,892	3,589	4,933	13,932	4	35	26	35
1931.....	393	6,582	5,464	4,658	17,097	2	39	32	27
1932.....	270	5,584	3,921	3,228	13,003	2	43	30	25
1933.....	407	5,694	3,389	3,556	13,047	3	44	26	27
1934.....	466	2,722	3,157	3,291	9,636	5	28	33	34
1935.....	449	3,523	3,171	3,495	10,638	4	33	30	33
1936.....	744	3,223	4,724	3,708	12,399	6	26	38	30
1937.....	1,214	5,927	6,787	5,017	18,946	6	31	36	27
1938.....	716	3,649	4,572	3,007	11,943	6	31	38	25
1939.....	747	3,372	4,645	3,052	11,817	6	29	39	26
1940.....	868	4,036	4,122	3,540	12,566	7	32	33	28
1941.....	691	3,370	4,266	2,417	10,744	6	31	40	23
1942.....	706	3,746	5,108	3,256	12,817	6	29	40	25
1943.....	580	3,207	4,502	3,138	11,427	5	28	39	28
1944.....	579	3,280	4,939	3,432	12,230	5	27	40	28
1945.....	576	2,079	3,644	2,716	9,015	7	23	40	30
1946.....	758	1,931	3,413	2,539	8,640	9	22	39	30
1947.....	1,185	3,767	4,192	2,716	11,860	10	32	35	23
1948.....	1,532	3,527	6,282	3,536	14,877	10	24	42	24
1949.....	2,088	6,650	4,878	2,512	16,128	13	41	30	16
1950.....	1,639	3,188	3,518	1,669	10,014	16	32	35	17
1951.....	2,842	4,536	4,467	3,304	15,149	19	30	29	22
1952.....	3,098	4,072	5,068	2,901	15,139	21	27	33	19
1953.....	3,167	4,754	5,645	2,899	16,465	19	29	34	18
1954.....	2,716	4,234	4,507	2,240	13,697	20	31	33	16
1955.....	2,201	4,502	5,313	2,705	14,721	15	31	36	18
1956.....	2,578	3,876	4,629	2,227	13,310	19	29	35	17
1957.....	2,539	3,895	3,010	1,520	10,964	23	36	27	14
1958.....	2,644	4,621	2,883	1,364	11,512	23	40	25	12
1959.....	2,973	4,797	4,784	2,004	14,558	20	33	33	14
1960.....	3,086	4,804	4,448	1,934	14,272	22	34	31	13
1961.....	2,823	5,155	4,497	1,843	14,318	20	36	31	13
1962.....	3,128	5,037	4,724	1,978	14,867	21	34	32	13
1963.....	2,830	4,753	5,423	2,328	15,334	19	31	35	15
1964 ⁵	2,821	4,409	5,483	2,467	15,180	19	29	36	16

¹ West includes California, Arizona, New Mexico, and Nevada.

² Southwest includes Texas, Oklahoma, and Kansas.

³ Delta includes Missouri, Arkansas, Tennessee, Mississippi, Louisiana, Illinois, and Kentucky.

⁴ Southeast includes Virginia, North Carolina, South Carolina, Georgia, Florida, and Alabama.

⁵ Crop report of May 10, 1965, Statistical Reporting Service.

Source: Crop Reporting Board, Statistical Reporting Service.

Cotton—Acreage, planted and harvested, and yield per acre on harvested acreage, by regions, 1950 to date

PLANTED ACREAGE ⁵

Crop year beginning Aug. 1	West ¹		Southwest ²		Delta ³		Southeast ⁴		Total
	1,000 acres	Per-cent	1,000 acres	Per-cent	1,000 acres	Per-cent	1,000 acres	Per-cent	1,000 acres
1950.....	1,051	5.6	8,130	43.1	5,740	30.4	3,945	20.9	18,866
1951.....	2,227	7.6	14,915	50.8	7,325	25.0	4,886	16.6	29,353
1952.....	2,398	8.5	13,710	48.9	6,858	24.4	5,099	18.2	28,065
1953.....	2,384	8.9	11,794	43.9	7,570	28.1	5,124	19.1	26,872
1954.....	1,546	7.7	9,239	46.1	5,576	27.8	3,691	18.4	20,052
1955.....	1,332	7.4	8,495	47.2	4,881	27.1	3,283	18.3	17,991
1956.....	1,338	7.8	8,054	47.2	4,605	27.0	3,080	18.0	17,077
1957.....	1,289	9.0	6,838	47.8	3,959	27.7	2,224	15.5	14,310
1958.....	1,323	10.7	6,105	49.3	3,369	27.2	1,582	12.8	12,379
1959.....	1,497	9.5	7,435	47.0	4,346	27.4	2,555	16.1	15,833
1960.....	1,619	10.1	7,455	46.4	4,433	27.5	2,573	16.0	16,080
1961.....	1,446	8.7	7,785	46.9	4,639	28.0	2,718	16.4	16,588
1962.....	1,454	8.9	7,595	46.6	4,573	28.1	2,671	16.4	16,293
1963.....	1,353	9.1	6,845	46.1	4,165	28.1	2,480	16.7	14,843
1964.....	1,341	9.0	6,839	46.1	4,182	28.2	2,477	16.7	14,839
1965.....	1,282	9.0	6,500	45.5	4,134	28.9	2,378	16.6	14,294

HARVESTED ACREAGE

1950.....	1,026	5.8	7,495	41.9	5,493	30.8	3,829	21.5	17,843
1951.....	2,179	8.1	13,335	49.4	6,650	24.7	4,785	17.8	26,949
1952.....	2,357	9.1	11,920	46.0	6,633	25.6	5,011	19.3	25,921
1953.....	2,347	9.6	9,920	40.8	7,028	28.9	5,046	20.7	24,341
1954.....	1,509	7.8	8,660	45.0	5,459	28.4	3,623	18.8	19,251
1955.....	1,287	7.6	7,690	45.5	4,746	28.0	3,205	18.9	16,928
1956.....	1,290	8.3	6,915	44.3	4,441	28.4	2,969	19.0	15,615
1957.....	1,248	9.2	6,445	47.5	3,683	27.2	2,182	16.1	13,558
1958.....	1,288	10.9	5,805	48.9	3,206	27.1	1,550	13.1	11,849
1959.....	1,459	9.7	6,975	46.1	4,195	27.7	2,488	16.5	15,117
1960.....	1,577	10.3	6,955	45.4	4,284	28.0	2,493	16.3	15,309
1961.....	1,409	9.0	7,205	46.1	4,404	28.2	2,616	16.7	15,634
1962.....	1,418	9.1	7,112	45.7	4,434	28.5	2,605	16.7	15,569
1963.....	1,310	9.2	6,440	45.3	4,042	28.5	2,420	17.0	14,212
1964 ⁶	1,309	9.3	6,250	44.5	4,080	29.0	2,421	17.2	14,060

YIELD PER ACRE ON HARVESTED ACREAGE

[In pounds]

	West ¹		Southwest ²		Delta ³		Southeast ⁴		United States	
	Actual	Trend ⁷	Actual	Trend ⁷	Actual	Trend ⁷	Actual	Trend ⁷	Actual	Trend ⁷
1950.....	764	657	204	195	307	345	209	281	269	286
1951.....	625	683	163	211	322	372	331	294	269	307
1952.....	629	721	164	220	366	392	277	302	280	322
1953.....	646	766	230	233	385	389	275	300	324	331
1954.....	862	806	235	246	395	404	296	323	341	351
1955.....	818	830	281	260	536	430	405	343	417	373
1956.....	957	865	269	279	499	449	359	347	409	392
1957.....	947	901	290	299	392	463	334	354	388	410
1958.....	983	947	382	311	430	477	422	364	466	425
1959.....	975	966	330	324	546	505	386	382	461	444
1960.....	937	987	331	331	497	516	371	391	446	455
1961.....	959	-----	343	-----	489	-----	338	-----	438	-----
1962.....	1,056	-----	339	-----	510	-----	363	-----	457	-----
1963.....	1,034	-----	354	-----	642	-----	461	-----	517	-----
1964 ⁶	1,031	-----	338	-----	643	-----	488	-----	517	-----

¹ West includes California, Arizona, New Mexico, and Nevada.
² Southwest includes Texas, Oklahoma, and Kansas.
³ Delta includes Missouri, Arkansas, Tennessee, Mississippi, Louisiana, Illinois, and Kentucky.
⁴ Southeast includes Virginia, North Carolina, South Carolina, Georgia, Florida, and Alabama.
⁵ Not adjusted for final acreage compliance with allotments.
⁶ Crop Reporting Board report of May 10, 1965.
⁷ Trend yield is 9-year centered average yield.

Domestic consumption of fibers, total and per capita, 1940-64

Year beginning Jan. 1	Popula- tion July 1 ¹	Cotton			Wool			Rayon and acetate ²			Noncellulosic manmade fibers ²			All fibers ³	
		Total	Percent- age of fibers	Per capita	Total	Percent- age of fibers	Per capita	Total	Percent- age of fibers	Per capita	Total	Percent- age of fibers	Per capita	Total	Per capita ⁴
		Million pounds	Percent	Pounds	Million pounds	Percent	Pounds	Million pounds	Percent	Pounds	Million pounds	Percent	Pounds (⁵)	Million pounds	Pounds
1940	132.1	3,822.6	80.9	28.9	416.9	8.8	3.2	483.2	10.2	3.7	4.2	0.1	0.1	4,726.9	35.8
1941	133.4	4,936.8	79.7	37.0	663.1	10.7	5.0	584.4	9.4	4.4	11.2	.2	.2	6,195.6	46.4
1942	134.9	5,424.4	81.3	40.2	607.1	9.1	4.5	621.3	9.3	4.6	22.5	.3	.3	6,675.2	49.5
1943	136.7	5,008.9	79.4	36.6	604.9	9.6	4.4	663.7	10.5	4.9	34.5	.5	.3	6,312.0	46.2
1944	138.4	4,508.0	77.4	32.6	561.5	9.6	4.1	707.2	12.2	5.1	44.5	.8	.3	5,821.1	42.1
1945	139.9	4,248.8	75.0	30.4	604.6	10.7	4.3	766.7	13.5	5.5	48.0	.8	.3	5,668.1	40.5
1946	141.4	4,450.4	73.6	31.5	699.1	11.6	4.9	846.6	14.0	6.0	49.8	.8	.4	6,045.9	42.8
1947	144.1	3,915.7	70.8	27.2	668.1	12.1	4.6	901.1	16.3	6.3	45.8	.8	.3	5,530.7	38.4
1948	146.6	4,025.7	68.4	27.5	714.7	12.1	4.9	1,081.2	18.4	7.4	65.9	1.1	.5	5,887.5	40.2
1949	149.2	3,472.6	69.4	23.3	533.5	10.7	3.6	1,911.9	19.2	6.1	84.7	1.7	.6	5,002.7	33.5
1950	151.7	4,464.1	67.7	29.4	691.1	10.5	4.6	1,305.5	18.8	8.6	135.8	2.0	.9	6,596.5	43.5
1951	154.3	4,513.9	70.1	29.3	532.4	8.3	3.4	1,205.2	18.7	7.8	185.4	2.9	1.2	6,436.9	41.7
1952	157.0	4,165.4	68.1	26.5	548.3	9.0	3.5	1,162.3	19.0	7.4	236.0	3.9	1.5	6,112.0	38.9
1953	159.6	4,209.4	68.0	26.4	551.0	8.9	3.5	1,167.6	18.8	7.3	264.6	4.3	1.7	6,192.6	38.8
1954	162.4	3,885.6	67.7	23.9	439.6	7.6	2.7	1,105.7	19.3	6.8	310.0	5.4	1.9	5,740.9	35.4
1955	165.3	4,206.6	64.5	25.4	489.6	7.5	3.0	1,395.3	21.4	8.4	426.3	6.6	2.6	6,517.9	39.4
1956	168.2	4,216.0	66.0	25.1	526.2	8.2	3.1	1,166.6	19.0	6.9	477.3	7.5	2.8	6,386.1	38.0
1957	171.3	3,878.0	64.3	22.6	449.4	7.4	2.6	1,145.9	18.9	6.7	558.6	9.3	3.3	6,031.9	35.2
1958	174.1	3,729.0	63.9	21.4	416.7	7.2	2.4	1,113.5	19.1	6.4	573.6	9.8	3.3	5,832.8	33.5
1959	177.1	4,274.4	62.5	24.1	557.3	8.2	3.1	1,256.3	18.4	7.1	745.3	10.9	4.2	6,833.3	38.6
1960	180.7	4,232.8	64.6	23.4	539.5	8.2	3.0	1,031.8	15.7	5.7	754.6	11.5	4.2	6,557.5	36.3
1961	183.8	4,048.5	61.8	22.0	535.0	8.2	2.9	1,103.2	16.9	6.0	862.2	13.1	4.7	6,549.0	35.6
1962	186.7	4,277.5	59.8	22.9	570.4	8.0	3.1	1,232.9	17.2	6.6	1,075.3	15.0	5.8	7,156.1	38.3
1963 ⁷	189.4	4,136.7	56.1	21.8	558.7	7.6	2.9	1,418.5	19.2	7.5	1,264.8	17.1	6.7	7,378.7	39.0
1964 ⁷	192.1	4,332.5	55.2	22.6	489.5	6.2	2.5	1,486.6	18.9	7.7	1,544.2	19.7	8.0	7,852.8	40.9
1965															
1966															

¹ Bureau of the Census: Population, continental United States as of July 1, including Armed Forces overseas.² Includes fiber waste.³ Does not include silk and flax.⁴ Total consumption divided by population.⁵ Less than 0.05 pound.⁶ Includes picker lap.⁷ Preliminary.

NOTE.—Domestic consumption refers to mill consumption plus raw fiber equivalent of imported textile manufactures less raw fiber equivalent of exported textile manufactures.

[In cents]

MIDDLING 1-INCH

Year beginning	August	September	October	November	December	January	February	March	April	May	June	July	Average ²
1948	31.94	31.78	31.77	32.01	32.69	33.07	33.18	33.28	33.53	33.39	33.26	32.58	32.71
1949	31.51	30.47	30.15	30.42	31.19	32.02	33.01	32.96	33.48	33.91	34.74	37.89	32.65
1950	38.71	41.31	40.49	42.92	43.28	44.88	(³)	45.80	45.84	45.90	45.88	40.59	43.23
1951	35.42	35.56	37.42	41.88	42.64	42.33	41.05	41.24	41.22	39.20	41.20	40.17	39.94
1952	40.20	39.50	37.24	35.39	33.81	33.34	33.86	34.21	33.93	34.29	33.99	34.14	35.32
1953	33.77	33.60	33.47	33.53	33.42	34.05	34.89	35.03	34.98	35.23	35.06	35.25	34.36
1954	34.90	35.30	35.21	34.74	34.95	35.09	35.19	34.64	34.62	35.11	35.30	35.13	35.02
1955	34.97	34.32	34.21	34.85	34.81	35.17	36.20	36.44	36.42	36.38	36.41	35.19	35.46
1956	33.01	33.07	33.19	33.19	33.15	33.41	33.77	33.82	33.89	33.97	33.97	33.99	33.53
1957	33.63	33.24	33.54	34.34	34.89	34.83	34.62	34.37	34.59	34.73	34.81	34.88	34.39
1958	34.83	34.70	34.75	34.75	34.41	34.31	34.28	34.37	34.56	34.62	34.52	33.55	34.47
1959	31.95	31.77	31.66	31.61	31.78	31.91	32.01	32.04	32.10	32.18	32.24	31.96	31.93
1960	30.75	30.52	30.22	30.19	30.16	30.14	30.41	31.07	31.41	31.80	32.22	32.65	30.96
1961	33.11	33.38	33.59	33.59	33.56	33.60	33.66	33.75	33.85	33.88	34.09	33.98	33.67
1962	33.36	33.02	33.01	32.98	33.13	33.42	33.75	34.04	34.11	34.13	33.91	33.43	33.52
1963	33.17	33.09	33.08	33.11	33.15	33.22	33.30	33.38	33.41	33.37	33.27	32.57	33.18
1964	31.20	30.67	30.58	30.58	30.57	30.56	30.63	30.72	30.77				

AMERICAN UPLAND PRICES RECEIVED BY FARMERS

1948	30.41	30.94	31.07	30.52	29.63	29.27	29.14	28.74	29.91	29.97	30.13	30.08	30.38
1949	29.32	29.70	28.69	27.66	26.46	26.46	27.49	28.04	28.73	29.24	29.91	33.05	28.57
1950	36.95	39.98	38.80	40.97	40.05	41.01	41.74	42.00	42.53	42.25	42.02	39.11	39.90
1951	34.60	33.72	36.10	40.72	40.15	38.45	36.88	36.00	36.80	36.02	38.02	37.02	37.69
1952	37.92	39.11	36.77	34.05	31.71	29.79	30.19	31.52	31.45	31.73	31.51	31.87	34.17
1953	32.79	33.09	32.46	31.81	30.73	30.05	30.42	31.05	31.57	32.17	32.31	32.18	32.10
1954	34.00	34.55	34.67	33.17	32.67	32.51	31.69	31.87	31.93	31.51	31.43	32.11	33.52
1955	32.74	33.77	32.83	32.42	31.19	30.67	31.00	31.64	32.50	31.96	32.29	32.36	32.27
1956	31.13	32.50	31.94	31.88	30.99	30.21	30.16	29.80	30.55	31.47	31.89	32.29	31.63
1957	32.83	32.97	32.33	31.13	28.19	27.37	24.91	26.05	27.93	29.10	29.09	30.77	29.46
1958	33.22	34.54	33.26	32.38	30.29	28.23	28.76	30.56	31.65	32.19	32.81	34.28	33.09
1959	33.74	33.01	32.61	31.46	30.33	29.92	28.47	28.42	28.86	29.26	29.60	31.39	31.56
1960	32.34	32.26	31.53	30.08	28.76	27.69	27.02	28.92	30.61	30.67	30.88	31.45	30.08
1961	32.62	32.76	33.86	33.13	31.86	30.52	29.42	30.65	32.18	33.59	33.55	33.37	32.80
1962	32.59	33.19	32.59	31.77	30.97	30.35	30.92	32.48	33.06	32.59	32.51	31.84	31.74
1963	32.01	32.73	32.93	32.46	31.28	30.19	30.22	31.32	31.60	32.22	32.80	32.61	32.02
1964	30.57	30.59	30.95	30.12	29.30	27.65	27.62	28.65	29.48				

¹ Prices at 10 markets through 1954, 14 markets through July 1962, 15 markets thereafter.

² Simple average for Middling 1-inch, weight average for prices received by farmers.

³ Market closed.

Source: Cotton Division, AMS, Crop Reporting Board, SRS.

Domestic consumption¹ of fibers² in cotton-equivalent pounds, 1960-64

Year beginning Jan. 1	Popula- tion July ⁴	Cotton			Wool			Rayon and acetate ⁵			Noncellulosic manmade fibers ⁶			All fibers ²	
		Total	Percent- age of fibers	Per capita	Total	Percent- age of fibers	Per capita	Total	Percent- age of fibers	Per capita	Total	Percent- age of fibers	Per capita	Total	Per capita ⁶
		Million pounds	Percent	Pounds	Million pounds	Percent	Pounds	Million pounds	Percent	Pounds	Million pounds	Percent	Pounds	Million pounds	Pounds
1940	132.1	3,822.6	80.5	28.9	229.3	4.8	1.7	692.4	14.6	5.2	7.1	0.1	0.1	4,751.4	36.0
1941	133.4	4,936.8	80.3	37.0	364.7	5.9	2.7	828.0	13.4	6.2	19.1	.4	.1	6,148.7	46.1
1942	134.9	5,424.4	81.3	40.2	333.9	5.0	2.5	878.9	13.2	6.5	37.6	.5	.3	6,674.8	49.5
1943	136.7	5,008.9	79.0	36.6	332.7	5.3	2.4	940.7	14.8	6.9	58.1	.9	.4	6,340.4	46.4
1944	138.4	4,508.0	76.4	32.6	308.8	5.2	2.2	1,009.8	17.1	7.3	74.9	1.3	.5	5,901.5	42.6
1945	139.9	4,248.8	73.7	30.4	332.5	5.8	2.4	1,104.9	19.1	7.9	80.9	1.4	.6	5,767.1	41.2
1946	141.4	4,450.4	72.6	31.5	384.5	6.3	2.7	1,212.3	19.8	8.6	82.8	1.3	.6	6,130.0	43.4
1947	144.1	3,915.7	69.4	27.2	367.4	6.5	2.5	1,280.3	22.7	8.9	78.5	1.4	.5	5,642.0	39.2
1948	146.6	4,025.7	66.4	27.5	393.1	6.5	2.7	1,534.8	25.3	10.5	112.7	1.8	.8	6,066.3	41.4
1949	149.2	3,472.6	66.4	23.3	293.4	5.6	2.0	1,318.0	25.2	8.8	146.1	2.8	1.0	5,230.1	35.1
1950	151.7	4,464.1	64.6	29.4	380.1	5.5	2.5	1,838.2	26.6	12.1	230.8	3.3	1.5	6,913.2	45.6
1951	154.3	4,513.9	66.3	29.3	292.8	4.3	1.9	1,684.3	24.7	10.9	314.8	4.6	2.0	6,805.8	44.1
1952	157.0	4,165.1	64.0	26.5	301.6	4.6	1.9	1,641.0	25.2	10.4	400.2	6.2	2.5	6,507.9	41.5
1953	159.6	4,209.4	63.5	26.4	303.0	4.6	1.9	1,656.8	25.0	10.4	460.0	6.9	2.9	6,629.2	41.5
1954	162.4	3,885.6	62.5	23.9	241.8	3.9	1.5	1,541.5	24.8	9.5	545.3	8.8	3.4	6,214.2	38.3
1955	165.3	4,206.6	58.5	25.4	269.3	3.8	1.6	1,962.1	27.3	11.9	750.6	10.4	4.5	7,188.6	43.5
1956	168.3	4,216.0	60.2	25.1	289.4	4.1	1.7	1,649.9	23.6	9.8	845.2	12.1	5.0	7,000.5	41.6
1957	171.3	3,878.0	57.5	22.6	247.2	3.7	1.4	1,613.4	23.9	9.4	1,001.6	14.9	5.8	6,740.2	39.3
1958	174.1	3,729.0	56.9	21.4	229.2	3.5	1.3	1,560.3	23.8	9.0	1,032.8	15.8	5.9	6,551.3	37.6
1959	177.1	74,274.4	55.6	24.1	306.5	4.0	1.7	1,770.8	23.0	10.0	1,342.4	17.4	7.6	7,694.1	43.4
1960	180.7	74,232.8	57.5	23.4	296.2	4.0	1.6	1,455.7	19.8	8.1	1,371.4	18.7	7.6	7,356.0	40.7
1961	183.8	74,048.5	54.5	22.0	294.3	3.9	1.6	1,529.7	20.6	8.3	1,560.5	21.0	8.4	7,433.0	40.4
1962	186.7	4,277.5	52.1	22.9	313.7	3.8	1.7	1,689.1	20.5	9.0	1,935.9	23.6	10.4	8,216.2	44.0
1963	189.4	4,136.7	48.1	21.8	307.3	3.6	1.6	1,900.8	22.1	10.0	2,251.8	26.2	11.9	8,595.7	45.4
1964 ⁸	192.1	4,332.5	46.4	22.6	269.2	2.9	1.4	2,012.9	21.6	10.5	2,721.8	29.1	14.2	9,336.4	48.6

¹ Domestic consumption data derived by adjusting mill consumption for raw fiber equivalent of U.S. foreign trade in textile products and for consumption of manmade waste fiber. The trade balance for manmade textile fiber products was allocated on the basis of relative production figures computed from Textile Economics Bureau reports. The manmade fiber waste was allocated on the basis of information provided by Stanley Hunt of the Textile Economics Bureau, Inc.

² Does not include flax and silk.

³ Based on cotton equivalent factors as follows: (a) Regular and intermediate tenacity rayon and acetate filament yarn, 1.51; (b) rayon and acetate staple fiber, 1.1; (c) high-tenacity rayon—prior to 1953, 1.53; 1954, 1.64; 1955, 1.71; 1956, 1.74; 1957, 1.77; 1958 to date, 1.8. Wool fiber based on cotton equivalent factor, 0.55.

⁴ Bureau of the Census: Population, continental United States as of July 1, including Armed Forces overseas.

⁵ Includes manmade producers' waste fiber.

⁶ Total divided by population and not a summation of per capita data.

⁷ Includes picker lap reported by Bureau of the Census as raw fiber.

⁸ Preliminary.

Fabric value, cotton price, and mill margin, per pound, United States, by months, August 1960 to date

[In cents]

Month	Fabric value (20 constructions) ¹					Cotton price ²					Mill margin ³				
	1960	1961	1962	1963	1964	1960	1961	1962	1963	1964	1960	1961	1962	1963	1964
August-----	62.86	58.78	61.12	60.60	61.00	32.52	34.84	35.89	35.33	27.64	30.34	23.94	25.23	25.27	33.36
September-----	61.90	59.78	60.93	60.99	61.02	32.25	35.16	35.23	35.19	26.82	29.65	24.62	25.70	25.80	34.20
October-----	60.64	60.32	60.71	61.34	61.25	32.05	35.35	35.08	35.11	26.80	28.59	24.97	25.63	26.23	34.45
November-----	59.98	60.45	60.68	62.00	61.48	31.99	35.46	35.10	35.27	26.98	27.99	24.99	25.58	26.73	34.50
December-----	58.61	60.54	60.67	62.29	62.58	32.00	35.58	35.30	35.37	27.30	26.61	24.96	25.37	26.92	35.28
January-----	58.06	60.63	60.55	62.34	63.24	32.01	35.78	34.45	35.47	27.30	26.05	24.85	25.10	26.87	35.94
February-----	57.78	60.76	60.47	62.40	63.28	32.41	35.82	35.66	35.55	27.26	25.37	24.94	24.81	26.85	36.02
March-----	57.64	61.07	60.49	62.45	63.42	33.32	35.98	35.95	35.58	27.26	24.32	25.09	24.54	26.87	36.16
April-----	57.46	61.23	60.26	62.00	63.89	33.46	35.85	36.08	35.63	27.40	24.00	25.38	24.18	26.37	36.49
May-----	57.54	61.19	60.00	61.62	-----	33.86	36.13	36.16	35.67	-----	23.68	25.06	23.84	25.95	-----
June-----	57.60	61.24	60.11	60.87	-----	34.09	36.34	35.86	35.76	-----	23.51	24.90	24.25	25.11	-----
July-----	57.88	61.29	60.28	60.95	-----	34.45	36.19	35.57	35.60	-----	23.43	25.10	24.71	25.35	-----
Crop year average ⁴ -----	59.00	60.61	60.52	61.65	-----	32.87	35.71	35.61	35.46	-----	26.13	24.90	24.91	26.19	-----

¹ The estimated value of cloth obtainable from a pound of cotton with adjustments for salable waste.

² Monthly average prices for 4 territory growths, even running lots, prompt shipments, delivered at group 201 (group B) mill points including landing costs and brokerage. Prices are for the average quality of cotton used in each kind of cloth. Beginning August 1964, prices are for cotton after equalization payments of 6.5 cents per pound have been made.

³ Difference between cloth prices and cotton prices.

⁴ Starts Aug. 1 of the year indicated.

Source: Cotton Division, Consumer and Marketing Service.

Year beginning Jan. 1	Popu- lation July 1 ¹	Cotton ²			Wool ³			Rayon and acetate ⁴			Noncellulosic man- made fibers ⁵			Manmade fiber waste ⁶			Flax ⁷ and silk ⁸			All fibers	
		Total	Per- cent- age of fibers	Per capita	Total	Per- cent- age of fibers	Per capita	Total	Per- cent- age of fibers	Per capita	Total	Per- cent- age of fibers	Per capita	Total	Per- cent- age of fibers	Per capita	Total	Per- cent- age of fibers	Per capita	Total	Per capita ⁹
	Mil.	Mil. lb.	Pct.	Lb.	Mil. lb.	Pct.	Lb.	Mil. lb.	Pct.	Lb.	Mil. lb.	Pct.	Lb.	Mil.	Pct.	Lb.	Mil.	Pct.	Lb.	Mil. lb.	Lb.
1940	132.1	3,959.1	80.4	30.0	407.9	8.3	3.1	482.1	9.8	3.6	4.3	0.1	(10)	12.3	0.2	0.1	59.7	1.2	0.5	4,925.3	37.3
1941	133.4	5,192.1	80.0	38.9	648.0	10.0	4.9	591.9	9.1	4.4	11.6	.2		14.0	.2	.1	35.3	.5	.3	6,492.8	48.7
1942	134.9	5,633.1	81.4	41.8	603.6	8.7	4.5	620.8	9.0	4.6	23.1	.3		15.0	.2	.1	23.2	.4	.2	6,918.8	51.3
1943	136.7	5,270.6	79.5	38.6	636.2	9.6	4.7	656.1	9.9	4.8	35.3	.5		21.4	.3	.2	13.6	.2	.1	6,633.2	48.5
1944	138.4	4,790.4	77.3	34.6	622.8	10.0	4.5	704.8	11.4	5.1	45.8	.7		21.9	.4	.2	9.5	.2	.1	6,195.2	44.8
1945	139.9	4,515.8	75.1	32.3	645.1	10.7	4.6	769.9	12.8	5.5	49.8	.8		25.4	.4	.2	8.4	.2	.1	6,014.4	43.0
1946	141.4	4,809.1	73.7	34.0	737.5	11.3	5.2	875.5	13.4	6.2	53.2	.8		25.6	.4	.2	26.1	.4	.2	6,527.0	46.2
1947	144.1	4,665.6	72.5	32.4	693.1	10.8	4.9	987.9	15.4	6.9	51.4	.8		18.6	.3	.1	12.9	.2	.1	6,433.7	44.6
1948	146.6	4,463.5	69.7	30.4	693.1	10.8	4.7	1,149.4	17.9	7.8	71.7	1.1		18.6	.3	.1	12.9	.2	.1	6,409.2	43.7
1949	149.2	3,839.1	70.4	25.7	500.4	9.2	3.4	993.5	18.2	6.7	92.8	1.7		15.6	.3	.1	10.1	.2	.1	5,451.5	36.5
1950	151.7	4,682.7	68.3	30.9	634.8	9.3	4.2	1,350.0	19.7	8.9	140.5	2.0		27.9	.4	.2	21.4	.3	.1	6,857.4	45.2
1951	154.3	4,868.6	71.1	31.6	484.2	7.1	3.1	1,274.6	18.6	8.3	195.5	2.8		8.5	.1	.1	18.3	.3	.1	6,849.7	44.4
1952	157.0	4,470.9	69.4	28.5	466.4	7.2	3.0	1,214.7	18.8	7.7	249.0	3.9		26.5	.4	.2	19.3	.3	.1	6,446.7	41.1
1953	159.6	4,456.1	68.7	27.9	494.0	7.6	3.1	1,222.5	18.9	7.7	279.4	4.3		21.8	.3	.1	15.4	.2	.1	6,489.2	40.7
1954	162.4	4,127.3	68.4	25.4	384.1	6.4	2.4	1,154.7	19.1	7.1	328.6	5.4		25.0	.4	.2	15.5	.3	.1	6,035.2	37.2
1955	165.3	4,382.4	65.2	26.5	413.8	6.2	2.5	1,419.2	21.1	8.6	432.2	6.4		51.1	.8	.3	19.0	.3	.1	6,717.7	40.6
1956	168.2	4,362.6	66.6	25.9	440.8	6.7	2.6	1,200.9	18.3	7.1	484.1	7.4		42.4	.7	.3	20.6	.3	.1	6,551.3	38.9
1957	171.3	4,060.4	65.1	23.7	368.8	5.9	2.2	1,177.1	18.9	6.9	567.5	9.1		48.0	.8	.3	15.5	.2	.1	6,237.3	36.4
1958	174.1	3,866.9	64.8	22.2	331.1	5.5	1.9	1,127.3	18.9	6.5	575.2	9.6		61.7	1.0	.4	9.4	.2	.1	5,971.5	34.3
1959	177.1	4,334.5	63.3	24.5	435.3	6.4	2.5	1,252.5	18.3	7.1	741.4	10.8		70.9	1.0	.4	11.8	.2	.1	6,846.4	38.7
1960	180.7	4,190.9	64.6	23.2	411.0	6.3	2.3	1,055.4	16.3	5.8	761.7	11.7		60.9	.9	.3	11.6	.2	.1	6,491.6	35.9
1961	183.8	4,081.5	62.1	22.2	412.1	6.3	2.2	1,128.0	17.2	6.1	861.7	13.1		71.2	1.1	.4	12.7	.2	.1	6,567.2	35.7
1962	186.7	4,188.0	59.4	22.4	429.1	6.1	2.3	1,263.1	17.9	6.8	1,076.6	15.3		79.5	1.1	.4	12.4	.2	.1	7,048.7	37.8
1963	189.4	4,040.2	55.7	21.3	411.7	5.7	2.2	1,440.1	19.9	7.6	1,257.8	17.3		90.1	1.2	.5	13.1	.2	.1	7,253.0	38.3
1964 ¹¹	192.1	4,245.2	54.5	22.1	355.4	4.6	1.8	1,514.4	19.5	7.9	1,557.9	20.0		103.2	1.3	.5	10.4	.1	.1	7,786.5	40.5

¹ Bureau of the Census. Population continental United States as of July 1, including Armed Forces overseas.

² Mill consumption as reported by the Bureau of the Census. For American cotton, tare as reported by the Crop Reporting Board has been deducted; for foreign cotton, 3 percent (15 pounds) was deducted, (20 pounds beginning Aug. 1, 1958). Since 1950, data have been adjusted to year ended Dec. 31.

³ Includes apparel and carpet wool on a scoured basis. Data from wool consumption reports of the Bureau of the Census.

⁴ Textile Organon, publication of the Textile Economics Bureau, Inc. Includes filament and staple fibers. Data are U.S. producers' domestic shipments, plus imports for consumption.

⁵ Textile Organon; nylon, orlon, glass fiber, etc. U.S. production less exports plus imports for consumption.

⁶ Producers' manmade fiber waste consumed by mills (excludes glass).

⁷ Flax. Imports and estimated production. Bureau of the Census and plant industry through 1948. 1949-52 production was estimated by the Agricultural Marketing Service, Portland, Oreg., office. Imports only since the 1953 season.

⁸ Silk. Bureau of the Census. Net imports through 1933. Since 1934, imports for consumption.

⁹ Total consumption divided by population and not a summation of per capita consumption of fibers.

¹⁰ Less than 0.05 pound.

¹¹ Preliminary.

Upland cotton, 1964—Estimated effective allotments

[In acres]

State	Total	Size of effective allotment (acres) ¹										1,000 and over
		0.1 to 4.9	5 to 10	10.1 to 14.9	15 to 29.9	30 to 49.9	50 to 99.9	100 to 199.9	200 to 349.9	300 to 499.9	500 to 499.9	
Alabama.....	966, 687	71, 698	177, 532	117, 165	199, 254	117, 794	120, 194	88, 388	40, 050	19, 714	12, 047	2, 851
Arizona.....	331, 746	393	1, 917	3, 154	10, 440	15, 483	38, 382	62, 342	67, 468	30, 999	53, 585	47, 583
Arkansas.....	1, 327, 347	17, 185	67, 983	78, 219	182, 346	141, 036	198, 761	207, 919	160, 342	83, 889	109, 759	79, 908
California.....	1, 736, 939	2, 240	9, 044	19, 950	42, 597	50, 918	107, 496	137, 038	97, 080	47, 156	87, 370	136, 050
Florida.....	35, 595	5, 665	9, 461	4, 575	8, 259	3, 720	2, 448	1, 229	238			
Georgia.....	832, 783	29, 796	100, 298	79, 067	197, 956	141, 055	139, 718	95, 452	28, 899	11, 924	8, 618	
Illinois.....	2, 995	476	370	176	359	427	407	533	247			
Kansas.....	22		22									
Kentucky.....	7, 192	748	789	462	1, 097	1, 395	1, 279	1, 175	247			
Louisiana.....	566, 962	12, 036	50, 818	41, 265	91, 087	63, 590	88, 724	87, 289	68, 959	26, 051	26, 413	10, 730
Mississippi.....	1, 548, 709	50, 490	135, 245	102, 606	196, 197	123, 927	173, 987	207, 376	220, 336	126, 512	129, 252	82, 781
Missouri.....	356, 536	8, 523	20, 642	26, 481	67, 699	57, 816	74, 838	49, 896	20, 123	13, 282	12, 081	5, 155
Nevada.....	3, 522		10		45		198	1, 542			689	1, 038
New Mexico.....	171, 104	1, 646	5, 883	6, 110	23, 368	28, 358	45, 388	33, 850	15, 367	3, 372	6, 557	1, 205
North Carolina.....	458, 203	63, 926	84, 183	48, 298	86, 454	54, 346	60, 677	37, 977	14, 785	2, 361	2, 770	2, 426
Oklahoma.....	750, 357	11, 207	31, 623	38, 305	156, 187	182, 150	205, 099	92, 416	21, 048	6, 850	4, 470	1, 002
South Carolina.....	683, 804	47, 659	91, 540	66, 363	134, 100	97, 842	117, 354	77, 495	30, 859	11, 450	6, 860	2, 282
Tennessee.....	547, 081	43, 194	109, 564	72, 592	120, 900	69, 743	70, 157	38, 203	14, 570	5, 314	2, 844	
Texas.....	6, 818, 247	36, 274	93, 399	113, 671	541, 700	860, 196	1, 881, 104	1, 737, 015	850, 112	281, 947	248, 788	174, 041
Virginia.....	17, 202	6, 363	4, 895	1, 874	2, 082	1, 038	720	230				
United States.....	16, 163, 033	409, 519	995, 218	820, 333	2, 062, 127	2, 010, 834	3, 326, 931	2, 957, 365	1, 650, 730	670, 821	712, 103	547, 052

¹ Effective allotments refer to those established for all farms after any adjustments in farm allotments resulting from the release and reappointment program. Source: ASCS/Policy and Program Appraisal Division.

Upland cotton, 1964—Percent of estimated effective allotments for farms by size groups
[Acres in percent]

State	Number of effective allotment farms	Size of effective allotments (acres) ¹										
		0.1 to 4.9	5 to 10	10.1 to 14.9	15 to 29.9	30 to 49.9	50 to 99.9	100 to 199.9	200 to 349.9	350 to 499.9	500 to 999.9	1,000 and over
Alabama.....	966, 687	7.4	18.4	12.1	20.6	12.2	12.4	9.2	4.1	2.0	1.3	0.3
Arizona.....	331, 746	.1	.6	1.0	3.1	4.7	11.6	18.8	20.3	9.3	16.2	14.3
Arkansas.....	1, 327, 347	1.3	5.1	5.9	13.7	10.6	15.0	15.7	12.1	6.3	8.3	6.0
California.....	736, 939	.3	1.2	2.7	5.8	6.9	14.6	18.6	13.2	6.4	11.8	18.5
Florida.....	35, 595	15.9	26.6	12.8	23.2	10.4	6.9	3.5	.7	---	---	---
Georgia.....	832, 783	3.6	12.0	9.5	23.8	16.9	16.8	11.5	3.5	1.4	1.0	---
Illinois.....	2, 995	15.9	12.4	5.9	12.0	14.2	13.6	17.8	8.2	---	---	---
Kansas.....	7, 192	10.4	11.0	6.4	15.3	19.4	17.8	16.3	3.4	---	---	---
Kentucky.....	566, 962	2.1	9.0	7.3	16.1	11.2	15.6	15.4	12.2	4.6	4.6	1.9
Louisiana.....	1, 548, 709	3.3	8.7	6.6	12.7	8.0	11.2	13.4	14.2	8.2	8.4	5.3
Mississippi.....	356, 536	2.4	5.8	7.4	19.0	16.2	21.0	14.0	5.6	3.7	3.4	1.5
Missouri.....	3, 522	---	.3	---	1.3	---	5.6	43.8	---	---	19.6	29.4
Nevada.....	171, 104	1.0	3.4	3.6	13.6	16.6	26.5	19.8	9.0	2.0	3.8	.7
New Mexico.....	458, 203	14.0	18.4	10.5	18.9	11.9	13.2	8.3	3.2	.5	.6	.5
North Carolina.....	750, 357	1.5	4.2	5.1	20.8	24.3	27.4	12.3	2.8	.9	.6	.1
Oklahoma.....	683, 804	7.0	13.4	9.7	19.6	14.3	17.2	11.3	4.5	1.7	1.0	.3
South Carolina.....	547, 081	7.9	20.0	13.3	22.1	12.7	12.8	7.0	2.7	1.0	.5	---
Tennessee.....	6, 818, 247	.5	1.4	1.7	7.9	12.6	27.6	25.5	12.5	4.1	3.6	2.6
Texas.....	17, 202	37.0	28.5	10.9	12.1	6.0	4.2	1.3	---	---	---	---
Virginia.....	---	---	---	---	---	---	---	---	---	---	---	---
United States.....	16, 163, 033	2.5	6.1	5.1	12.8	12.4	20.6	18.3	10.2	4.2	4.4	3.4

¹ Effective allotments refer to those established for all farms after any adjustments in arm allotments resulting from the release and reapportionment program. Source: ASCS/Policy and Program Appraisal Division.

Upland cotton, 1964—Number of effective allotment farms

State	Total	Size of effective allotment (acres) ¹										
		0.1 to 4.9	5 to 10	10.1 to 14.9	15 to 29.9	30 to 49.9	50 to 99.9	100 to 199.9	200 to 349.9	350 to 499.9	500 to 999.9	1,000 and over
Alabama-----	78,469	27,858	25,260	9,782	9,819	3,107	1,770	641	169	42	19	2
Arizona-----	2,957	174	247	245	466	391	541	449	265	77	75	27
Arkansas-----	40,110	6,857	9,164	6,242	8,703	3,712	2,886	1,504	626	204	164	48
California-----	9,913	910	1,145	1,496	1,968	1,276	1,497	959	372	110	128	52
Florida-----	4,918	2,698	1,296	375	399	100	40	9	1	-----	-----	-----
Georgia-----	50,478	13,762	13,772	6,479	9,717	3,752	2,097	737	120	29	13	-----
Illinois-----	252	146	50	15	18	11	7	4	1	-----	-----	-----
Kansas-----	3	-----	3	-----	-----	-----	-----	-----	-----	-----	-----	-----
Kentucky-----	723	456	115	37	52	35	19	8	1	-----	-----	-----
Louisiana-----	23,323	4,656	6,815	3,402	4,469	1,701	1,273	628	268	65	38	8
Mississippi-----	64,235	18,691	18,775	8,338	9,566	3,460	2,524	1,502	832	301	194	52
Missouri-----	13,871	2,761	2,764	2,094	3,133	1,512	1,102	372	79	32	18	4
Nevada-----	19	-----	1	-----	3	-----	2	11	-----	-----	1	1
New Mexico-----	4,689	648	762	489	1,080	727	660	242	61	8	11	1
North Carolina-----	50,442	27,567	11,928	3,992	4,245	1,449	905	283	61	6	4	2
Oklahoma-----	28,064	4,863	4,208	3,083	7,250	4,734	3,092	720	88	17	8	1
South Carolina-----	50,689	20,808	12,767	5,600	6,474	2,572	1,733	579	121	23	10	2
Tennessee-----	46,853	16,843	15,011	5,841	5,893	1,851	1,046	291	60	13	4	-----
Texas-----	130,860	17,327	12,492	9,122	24,926	22,125	27,387	12,926	3,388	682	383	102
Virginia-----	4,230	3,192	733	158	105	29	11	2	-----	-----	-----	-----
United States-----	605,098	170,217	137,308	66,790	98,286	52,544	48,592	21,867	6,513	1,609	1,070	302

¹ Effective allotments refer to those established for all farms after any adjustments in farm allotments resulting from the release and reapportionment programs. Source: ASCS/Policy and Program Appraisal Division.

Upland cotton, 1964—Percent of effective allotment farms by size groups
[Acres in percent]

State	Number of effective allotment farms	Size of effective allotments (acres) ¹										
		0.1 to 4.9	5 to 10	10.1 to 14.9	15 to 29.9	30 to 49.9	50 to 99.9	100 to 199.9	200 to 349.9	350 to 499.9	500 to 999.9	1,000 and over
Alabama-----	78,469	35.5	32.2	12.5	12.5	3.9	2.3	0.8	0.2	0.1	(2)	(2)
Arizona-----	2,957	5.9	8.4	8.3	15.7	13.2	18.3	15.2	9.0	2.6	2.5	0.9
Arkansas-----	40,110	17.1	22.8	15.6	21.7	9.3	7.2	3.7	1.6	.5	.4	.1
California-----	9,913	9.2	11.5	15.1	19.8	12.9	15.1	9.7	3.8	1.1	1.3	.5
Florida-----	4,918	54.9	26.4	7.6	8.1	2.0	.8	.2	(2)	-----	-----	-----
Georgia-----	50,478	27.3	27.3	12.8	19.2	7.4	4.2	1.5	.2	.1	(2)	-----
Illinois-----	252	57.9	19.8	6.0	7.1	4.4	2.8	1.6	.4	-----	-----	-----
Kansas-----	3	-----	100.0	-----	-----	-----	-----	-----	-----	-----	-----	-----
Kentucky-----	723	63.1	15.9	5.1	7.2	4.9	2.6	1.1	.1	-----	-----	-----
Louisiana-----	23,323	19.9	29.2	14.6	19.2	7.3	5.5	2.7	1.1	.3	.2	(2)
Mississippi-----	64,235	29.1	29.2	13.0	14.9	5.4	3.9	2.3	1.3	.5	.3	.1
Missouri-----	13,871	19.9	19.9	15.1	22.6	10.9	8.0	2.7	.6	.2	.1	(2)
Nevada-----	19	-----	5.3	-----	15.7	-----	10.5	57.9	-----	-----	5.3	5.3
New Mexico-----	4,689	13.8	16.3	10.4	23.0	15.5	14.1	5.2	1.3	.2	(2)	(2)
North Carolina-----	50,442	54.7	23.6	7.9	8.4	2.9	1.8	.6	.1	(2)	(2)	(2)
Oklahoma-----	28,064	17.3	15.0	11.0	25.8	16.9	11.0	2.6	.3	.1	(2)	(2)
South Carolina-----	50,689	41.1	25.2	11.0	12.8	5.1	3.4	1.1	.2	.1	(2)	(2)
Tennessee-----	46,853	36.0	32.0	12.5	12.6	4.0	2.2	.6	.1	(2)	.3	.1
Texas-----	130,860	13.2	9.6	7.0	19.0	16.9	20.9	9.9	2.6	.5	-----	-----
Virginia-----	4,230	75.5	17.3	3.7	2.5	.7	.3	(2)	-----	-----	-----	-----
United States-----	605,098	28.1	22.7	11.0	16.2	8.7	8.0	3.6	1.1	.3	.2	.1

¹ Effective allotments refer to those established for all farms after any adjustments in farm allotments resulting from the release and reapportionment programs.
² Less than 0.05 percent.

Source: ASCS/Policy and Program Appraisal Division.

Upland cotton, 1964.—Estimated original allotments

[In acres]

State	Total	Size of original allotment (acres) ¹										1,000 and over
		0.1 to 4.9	5 to 10	10.1 to 14.9	15 to 29.9	30 to 49.9	50 to 99.9	100 to 199.9	200 to 349.9	350 to 499.9	500 to 999.9	
Alabama-----	969,059	110,231	219,782	119,864	182,550	102,884	102,721	73,724	37,202	11,461	6,066	2,574
Arizona-----	331,750	2,529	2,411	3,653	11,293	16,859	38,915	64,421	63,498	33,130	50,521	46,520
Arkansas-----	1,327,048	23,629	78,214	83,216	183,911	137,470	195,204	204,709	154,094	81,912	105,010	79,679
California-----	737,039	2,970	9,632	23,845	41,508	51,849	107,360	135,130	98,674	46,029	85,472	134,570
Florida-----	35,604	6,972	10,836	4,810	7,390	2,747	1,907	64,988	245	-----	-----	-----
Georgia-----	835,276	48,324	146,282	98,063	200,276	125,428	117,984	64,988	20,419	9,491	4,021	-----
Illinois-----	2,995	491	520	362	436	432	250	293	211	-----	-----	-----
Kansas-----	22	-----	22	-----	-----	-----	-----	-----	-----	-----	-----	-----
Kentucky-----	7,192	1,040	821	301	1,083	1,323	1,208	1,169	247	-----	-----	-----
Louisiana-----	567,227	16,462	65,881	46,091	93,272	64,286	87,257	83,149	55,588	22,946	23,870	8,425
Mississippi-----	1,550,208	67,039	159,978	110,427	192,624	125,594	167,179	205,377	209,022	114,589	122,803	75,576
Missouri-----	356,550	9,392	20,192	26,238	67,929	57,746	74,656	49,841	20,061	13,267	12,069	5,159
Nevada-----	3,522	-----	10	-----	45	139	-----	1,685	-----	-----	602	1,041
New Mexico-----	171,403	1,936	6,532	6,151	23,888	28,207	45,141	32,989	15,397	2,720	7,248	1,194
North Carolina-----	460,902	107,898	109,873	54,031	75,742	45,507	39,223	18,562	6,052	1,136	1,836	1,042
Oklahoma-----	751,158	16,050	56,255	56,509	179,511	167,503	169,449	77,238	17,462	6,592	4,589	-----
South Carolina-----	685,405	65,933	113,750	76,909	134,681	94,384	103,687	58,569	23,651	6,351	7,490	-----
Tennessee-----	547,174	59,977	106,968	67,368	115,583	67,867	69,093	37,770	15,072	4,576	2,900	-----
Texas-----	6,832,347	39,895	139,214	180,192	771,292	971,090	1,813,355	1,575,982	733,364	250,982	212,662	144,319
Virginia-----	17,203	7,544	4,594	1,799	1,746	917	386	217	-----	-----	-----	-----
United States-----	16,189,084	586,312	1,251,767	959,829	2,284,760	2,062,232	3,134,975	2,686,510	1,470,259	605,182	647,159	500,099

¹ Original allotments refer to those established for all farms prior to release and re-apportionment programs. Source: ASCS/Policy and Program Appraisal Division.

Upland cotton, 1964—Percent of estimated original allotment for farms by size groups
[Acres in percent]

State	Total	Size of original allotment (acres) ¹										
		0.1 to 4.9	5 to 10	10.1 to 14.9	15 to 29.9	30 to 49.9	50 to 99.9	100 to 199.9	200 to 349.9	350 to 499.9	500 to 999.9	1,000 and over
Alabama.....	969, 059	11.4	22.7	12.4	18.8	10.6	10.6	7.6	3.8	1.2	0.6	0.3
Arizona.....	331, 750	.2	.7	1.1	3.4	5.1	11.7	19.4	19.2	10.0	15.2	14.0
Arkanss.....	1, 327, 048	1.8	5.9	6.3	13.9	10.3	14.7	15.4	11.6	6.2	7.9	6.0
California.....	737, 039	.4	1.3	3.2	5.6	7.0	14.6	18.3	13.4	6.3	11.6	18.3
Florida.....	35, 604	19.6	30.4	13.5	20.8	7.7	5.3	2.0	.7			
Georgia.....	835, 276	5.8	17.5	11.7	24.0	15.0	14.1	7.8	2.5	1.1	.5	
Illinois.....	2, 995	16.4	17.4	12.1	14.6	14.4	8.3	9.8	7.0			
Kansas.....	22		100.0									
Kentucky.....	7, 192	14.5	11.4	4.2	15.1	18.4	16.8	16.2	3.4			
Louisiana.....	567, 227	2.9	11.6	8.1	16.4	11.3	15.4	14.7	9.8	4.1	4.2	1.5
Mississippi.....	1, 550, 208	4.3	10.3	7.1	12.4	8.1	10.8	13.3	13.5	7.4	7.9	4.9
Missouri.....	356, 550	2.6	5.7	7.4	19.1	16.2	20.9	14.0	5.6	3.7	3.4	1.4
Nevada.....	3, 522		.3		1.3	3.9		47.8			17.1	29.6
New Mexico.....	171, 403	1.1	3.8	3.6	13.9	16.5	26.3	19.3	9.0	1.6	4.2	.7
North Carolina.....	460, 902	23.4	23.9	11.7	16.4	9.9	8.5	4.0	1.3	.3	.4	.2
Oklahoma.....	751, 158	2.1	7.5	7.5	23.9	22.3	22.6	10.3	2.3	.9	.6	
South Carolina.....	685, 405	9.6	16.6	11.2	19.7	13.8	15.1	8.5	3.5	.9	1.1	
Tennessee.....	547, 174	11.0	19.6	12.3	21.1	12.4	12.6	6.9	2.8	.8	.5	
Texas.....	6, 832, 347	.6	2.0	2.6	11.3	14.2	26.6	23.1	10.7	3.7	3.1	2.1
Virginia.....	17, 203	43.9	26.7	10.5	10.1	5.3	2.2	1.3				
United States.....	16, 189, 084	3.6	7.8	5.9	14.1	12.7	19.4	16.6	9.1	3.7	4.0	3.1

¹ Original allotments refer to those established for all farms prior to release and reapportionment program.

Upland cotton, 1964—Number of original allotment farms

State	Total	Size of original allotment (acres) ¹										1,000 and over
		0.1 to 4.9	5 to 10	10.1 to 14.9	15 to 29.9	30 to 49.9	50 to 99.9	100 to 199.9	200 to 349.9	350 to 499.9	500 to 999.9	
Alabama.....	93,714	38,046	31,882	9,834	9,001	2,710	1,512	541	148	28	10	2
Arizona.....	3,218	221	318	293	510	429	555	465	248	80	72	27
Arkansas.....	44,244	9,104	10,733	6,669	8,815	3,605	2,834	1,486	596	195	159	48
California.....	10,467	1,203	1,216	1,783	1,868	1,299	1,493	945	376	106	126	52
Florida.....	5,589	3,167	1,547	1,394	373	75	27	5	1	---	---	---
Georgia.....	61,730	18,494	19,939	7,933	9,721	3,293	1,747	491	83	23	6	---
Illinois.....	335	198	72	27	20	11	4	2	1	---	---	---
Kansas.....	3	---	3	---	---	---	---	---	---	---	---	---
Kentucky.....	805	552	119	24	50	33	18	8	1	---	---	---
Louisiana.....	27,330	6,340	8,796	3,783	4,556	1,703	1,250	588	216	57	35	6
Mississippi.....	73,128	23,956	22,242	8,987	9,452	3,326	2,401	1,456	798	276	186	48
Missouri.....	14,006	2,945	2,738	2,073	3,141	1,505	1,100	371	79	32	18	4
Nevada.....	20	---	1	---	3	3	---	11	---	---	1	1
New Mexico.....	4,870	740	854	489	1,104	715	651	236	61	7	12	1
North Carolina.....	66,742	41,105	15,547	4,423	3,714	1,202	579	141	24	3	3	1
Oklahoma.....	34,198	6,147	7,570	4,538	8,353	4,355	2,545	593	72	17	8	---
South Carolina.....	59,332	26,269	15,736	6,279	6,512	2,461	1,521	436	93	15	10	---
Tennessee.....	51,332	22,081	14,976	5,489	5,632	1,780	1,013	284	61	12	4	---
Texas.....	152,618	16,608	18,545	14,288	36,009	25,070	26,487	11,672	2,911	611	331	86
Virginia.....	4,712	3,750	692	149	89	24	6	2	---	---	---	---
United States.....	708,393	220,926	173,526	77,455	108,923	53,599	45,743	19,733	5,769	1,462	981	276

¹ Original allotments refer to those established for all farms prior to release and re-portionment programs. Source: ASCS/Policy and Program Appraisal Division.

Upland cotton, 1964—Percent of original allotment farms by size groups
[Acres in percent]

State	Number of original allotment farms	Size of original allotment (acres) ¹										
		0.1 to 4.9	5 to 10	10.1 to 14.9	15 to 29.9	30 to 49.9	50 to 99.9	100 to 199.9	200 to 349.9	350 to 499.9	500 to 999.9	1,000 and over
Alabama	93,714	40.6	34.0	10.5	9.6	2.9	1.6	0.6	0.2	(2)	(2)	(2)
Arizona	3,218	6.9	9.9	9.1	15.9	13.3	17.2	14.5	7.7	2.5	2.2	0.8
Arkansas	44,244	20.6	24.3	15.1	19.9	8.1	6.4	3.4	1.3	.4	.4	.1
California	10,467	11.5	11.6	17.0	17.9	12.4	14.3	9.0	3.6	1.0	1.2	.5
Florida	5,589	56.7	27.7	7.0	6.7	1.3	.5	.1	(2)	(2)	(2)	(2)
Georgia	61,730	30.0	32.3	12.9	15.8	5.3	2.8	.8	.1	(2)	(2)	(2)
Illinois	335	59.1	21.5	8.1	5.9	3.3	1.2	.6	.3	(2)	(2)	(2)
Kansas	3		100.0									
Kentucky	805	68.6	14.8	3.0	6.2	4.1	2.2	1.0	.1	(2)	(2)	(2)
Louisiana	27,330	23.2	32.2	13.8	16.7	6.2	4.6	2.2	.8	.2	.1	.1
Mississippi	73,128	32.8	30.4	12.3	12.9	4.5	3.3	2.0	1.1	.4	.2	(2)
Missouri	14,006	21.0	19.6	14.8	22.4	10.7	7.9	2.7	.6	.2	.1	(2)
Nevada	20		5.0		15.0	15.0		55.0			5.0	5.0
New Mexico	4,870	15.2	17.5	10.0	22.7	14.7	13.4	4.9	1.3	.1	.2	(2)
North Carolina	66,742	61.6	23.3	6.6	5.6	1.8	.9	.2	(2)	(2)	(2)	(2)
Oklahoma	34,198	18.0	22.1	13.3	24.4	12.7	7.5	1.7	.2	.1	(2)	(2)
South Carolina	59,332	44.3	26.5	10.6	11.0	4.1	2.6	.7	.2	(2)	(2)	(2)
Tennessee	51,332	43.0	29.2	10.7	11.0	3.4	2.0	.6	.1	.4	.2	.1
Texas	152,618	10.9	12.1	9.4	23.6	16.4	17.4	7.6	1.9	(2)	(2)	(2)
Virginia	4,712	79.6	14.7	3.2	1.9	.5	.1	(2)				
United States	708,393	31.2	24.5	10.9	15.4	7.6	6.5	2.8	.8	.2	.1	(2)

¹ Original allotments refer to those established for all farms prior to release and reappor-
tionment programs.

² Less than 0.05 percent.

Source: ASCS/Policy and Program Appraisal Division.

Upland cotton—Number of farms planting and acres planted, U.S. totals by size groups, 1963 and 1964

Size group	1963		1964	
	Number of farms	Acres planted	Number of farms	Acres planted
0.1 to 4.9.....	106,034	277,429	108,069	270,416
5 to 10.....	114,207	767,433	113,190	767,247
10.1 to 14.9.....	58,866	684,923	59,377	692,976
15 to 29.9.....	88,545	1,765,582	86,947	1,672,316
30 to 49.9.....	48,302	1,757,535	48,251	1,712,733
50 to 99.9.....	46,191	3,043,027	46,277	2,976,012
100 to 199.9.....	20,949	2,726,048	21,205	2,711,354
200 to 349.9.....	6,370	1,524,108	6,441	1,560,641
350 to 499.9.....	1,627	634,584	1,606	635,743
500 to 999.9.....	1,025	643,131	1,067	681,727
1,000 and over.....	296	529,735	301	552,244
Total.....	492,412	14,353,535	492,731	14,233,409

Upland cotton, 1964—Final planted acres by size of effective allotment

[In acres]

State	Total	Size of effective allotment (acres) ¹										1,000 and over
		0.1 to 4.9	5 to 10	10.1 to 14.9	15 to 29.9	30 to 49.9	50 to 99.9	100 to 199.9	200 to 349.9	350 to 499.9	500 to 999.9	
Alabama.....	831,551	53,880	147,028	106,695	168,090	100,289	107,917	77,958	33,810	16,097	11,908	2,879
Arizona.....	330,214	367	1,602	3,102	10,142	15,409	37,444	64,008	68,035	29,469	52,803	47,833
Arkansas.....	1,243,478	11,321	55,658	70,178	161,159	129,690	188,229	198,196	156,524	84,504	105,563	82,456
California.....	742,547	1,118	7,289	17,941	40,028	48,545	102,841	135,147	97,814	45,579	86,773	159,467
Florida.....	24,799	2,429	6,081	3,710	5,974	2,645	2,421	1,221	318	-----	-----	-----
Georgia.....	634,203	13,610	64,767	59,102	150,165	109,516	115,155	77,883	25,182	10,593	8,230	-----
Illinois.....	2,550	89	281	117	302	441	473	581	266	-----	-----	-----
Kansas.....	5	-----	5	-----	-----	-----	-----	-----	-----	-----	-----	-----
Kentucky.....	6,353	312	594	454	993	1,318	1,257	1,175	250	-----	-----	-----
Louisiana.....	525,477	8,379	41,005	38,080	81,504	60,314	84,231	84,349	64,469	27,558	26,396	9,192
Mississippi.....	1,464,938	35,781	115,827	93,432	175,248	122,323	165,392	209,953	214,980	125,311	130,318	76,373
Missouri.....	349,216	7,311	18,809	26,432	66,410	56,627	73,976	48,912	20,523	12,285	11,827	6,104
Nevada ²	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
New Mexico.....	161,495	1,563	5,222	6,367	20,936	26,955	43,140	30,153	14,927	3,279	6,500	2,453
North Carolina.....	386,517	46,785	70,445	42,366	72,759	47,163	52,659	33,483	13,961	2,867	3,012	1,017
Oklahoma.....	583,584	2,893	16,669	27,673	114,108	143,642	171,138	78,934	17,900	6,376	3,154	1,097
South Carolina.....	540,067	30,249	64,913	54,745	101,556	78,624	98,332	66,750	28,271	8,199	6,214	2,214
Tennessee.....	503,953	36,683	95,315	69,538	107,677	65,617	68,094	37,732	15,101	5,416	2,780	-----
Texas.....	5,887,699	12,086	51,616	71,318	393,742	702,602	1,662,727	1,564,685	783,310	258,201	226,244	161,159
Virginia.....	14,763	5,560	4,121	1,726	1,523	1,013	586	234	-----	-----	-----	-----
United States.....	14,233,409	270,416	767,247	692,976	1,672,316	1,712,733	2,976,012	2,711,354	1,560,641	635,743	681,727	552,244

¹ Effective allotments refer to those established for all farms after any adjustments in farm allotments resulting from the release and reapportionment program. These were the final allotments for compliance purposes.

² Not available.

COTTON

Upland cotton, 1964—Number of farms planting cotton by size of effective allotment

State	Total	Size of effective allotment (acres) ¹										1,000 and over
		0.1 to 4.9	5 to 10	10.1 to 14.9	15 to 29.9	30 to 49.9	50 to 99.9	100 to 199.9	200 to 349.9	350 to 499.9	500 to 999.9	
Alabama-----	64,865	19,724	21,855	9,102	8,861	2,800	1,684	608	168	41	20	2
Arizona-----	2,833	109	227	236	453	379	532	451	267	75	77	27
Arkansas-----	34,782	4,033	7,856	5,815	8,201	3,547	2,808	1,478	627	207	161	49
California-----	9,113	1,352	1,021	1,445	1,930	1,260	1,472	1,966	376	109	127	55
Florida-----	2,749	1,015	937	327	338	81	41	9	1			
Georgia-----	35,030	6,252	9,467	5,209	8,135	3,247	1,911	652	114	29	14	
Illinois-----	131	38	43	10	17	11	7	4	1			
Kansas-----	1		1									
Kentucky-----	362	120	93	37	50	34	19	8	1			
Louisiana-----	20,420	3,207	5,893	3,238	4,197	1,653	1,239	624	257	67	38	7
Mississippi-----	56,690	13,504	17,310	7,983	9,181	3,370	2,468	1,497	833	297	197	50
Missouri-----	13,112	2,178	2,668	2,111	3,060	1,500	1,087	372	82	30	19	5
Nevada ² -----												
New Mexico-----	4,421	570	715	509	992	706	629	218	61	8	11	2
North Carolina-----	40,654	20,060	10,505	3,641	3,911	1,351	850	264	60	7	4	1
Oklahoma-----	20,073	1,525	2,337	2,382	5,963	4,216	2,857	686	81	18	7	1
South Carolina-----	36,669	12,271	9,780	4,743	5,405	2,261	1,530	528	118	21	10	2
Tennessee-----	40,607	12,283	13,835	5,812	5,512	1,775	1,024	288	61	13	4	
Texas-----	106,963	8,463	8,021	6,635	20,657	20,032	26,110	12,550	3,333	684	378	100
Virginia-----	3,256	2,365	626	142	84	28	9	2				
United States-----	492,731	108,069	113,190	59,377	86,947	48,251	46,277	21,205	6,441	1,606	1,067	301

¹ Effective allotments refer to those established for all farms after any adjustments in farm allotments resulting from the release and reapportionment program. These were the final allotments for compliance purposes.

² Not available.

All cotton—Number of farms and acreage planted in skip-row patterns, 1963 and 1964

State	Total				Less than 4 rows skipped				4 or more rows skipped			
	Number of farms		Acres planted		Number of farms		Acres planted		Number of farms		Acres planted	
	1963	1964	1963	1964	1963	1964	1963	1964	1963	1964	1963	1964
Alabama-----	567	1,331	16,776	38,383	513	1,280	15,742	37,564	54	51	1,034	819
Arizona-----	1,454	1,614	121,991	155,502	1,301	1,467	114,528	146,825	153	147	7,463	8,677
Arkansas-----	434	873	32,406	51,780	360	794	28,887	41,103	74	79	3,519	10,677
California-----	3,144	2,301	281,430	275,342	3,110	2,272	279,912	273,450	34	29	1,518	1,892
Florida-----	14	20	211	332	13	20	204	332	1	3	7	475
Georgia-----	428	705	20,120	22,429	411	685	19,704	21,954	17	20	416	475
Illinois-----												
Kansas-----												
Kentucky-----		3		55								
Louisiana-----	92	239	6,374	20,141	76	210	5,824	18,943	16	3	550	55
Mississippi-----	1,909	2,754	216,901	333,168	1,603	2,453	191,916	310,463	306	301	24,985	1,198
Missouri-----	405	579	9,015	13,915	268	457	7,647	12,160	137	122	1,368	22,705
Nevada-----	(1)	5	(1)	62	(1)	5	(1)	62	(1)			1,755
New Mexico-----	555	436	22,486	17,963	536	409	21,399	17,153	19	27	1,087	810
North Carolina-----	125	175	1,292	2,515	40	73	337	548	85	102	955	1,967
Oklahoma-----	716	1,018	21,582	38,547	539	818	16,002	29,302	177	200	5,580	9,245
South Carolina-----	138	65	1,828	1,517	129	59	1,523	1,210	9	6	305	307
Tennessee-----	72	205	1,725	4,526	65	186	1,520	4,288	7	19	205	238
Texas-----	21,662	22,634	1,426,127	1,478,556	18,642	19,675	1,285,450	1,343,693	3,020	2,959	140,677	134,863
Virginia-----	1		15		1		15					
United States-----	31,716	34,957	2,180,279	2,454,733	27,607	30,863	1,990,610	2,259,050	4,109	4,094	189,669	195,683

1 Not available.

Upland cotton—Preliminary report on 1965 allotments released as compared with release of 1964 allotments

State	1965			1964		1965 estimated releases as percent of 1964 released
	Number of farms releasing to date	Acreage released by date of report	Estimated acreage total to be released	Number of farms releasing	Total acreage released	
	(1)	(2)	(3)	(4)	(5)	(6)
Alabama.....	15, 528	106, 284	106, 284	20, 953	137, 240	77. 4
Arizona.....	29	924	1, 152	62	1, 256	91. 7
Arkansas.....	1, 301	14, 216	29, 954	5, 003	47, 581	63. 0
California.....	384	3, 273	3, 347	483	5, 049	66. 3
Florida.....	722	4, 604	4, 604	833	5, 418	85. 0
Georgia.....	9, 806	88, 494	100, 279	15, 598	134, 679	74. 5
Illinois.....	21	68	200	83	540	37. 0
Kansas.....						
Kentucky.....	39	124	185	97	241	76. 8
Louisiana.....	4, 343	40, 613	40, 613	5, 593	49, 470	82. 1
Mississippi.....	3, 093	22, 382	36, 846	13, 976	93, 016	39. 6
Missouri.....	132	589	943	270	1, 200	78. 6
Nevada.....	(1)	46	46	2	32	143. 8
New Mexico.....	91	713	1, 187	257	2, 952	40. 2
North Carolina.....	17, 446	86, 119	86, 119	22, 540	106, 758	80. 7
Oklahoma.....	2, 455	30, 946	75, 000	7, 719	99, 298	75. 5
South Carolina.....	9, 046	65, 603	65, 603	12, 355	88, 225	74. 4
Tennessee.....	3, 075	11, 010	12, 046	5, 223	19, 937	60. 4
Texas.....	23, 223	580, 412	580, 412	31, 296	725, 728	80. 0
Virginia.....	354	1, 044	1, 500	582	1, 826	82. 1
United States.....	91, 088	1, 057, 464	1, 146, 320	142, 925	1, 520, 446	75. 4

¹ Not reported.
Source: Policy and Program Appraisal Division, ASCS, from State reports.

Upland cotton—1965 participation and acreage reduction in the domestic allotment program on farms with effective allotments above 15 acres

State	Number of effective farm allot- ments above 15 acres	Number of farms signed up	Acres of effective allotment on farms	Acres of domestic allotment on farms	Indicated acreage reduction
Alabama.....	15, 678	6, 161	174, 277	122, 160	52, 117
Arizona.....	2, 196	285	56, 156	36, 808	19, 348
Arkansas.....	17, 424	4, 835	185, 622	130, 760	54, 862
California.....	5, 979	407	11, 483	8, 597	2, 886
Florida.....	638	256	7, 260	5, 086	2, 174
Georgia.....	13, 555	7, 455	279, 987	185, 940	94, 047
Illinois.....	43	9	456	292	164
Kansas.....	0	0	0	0	0
Kentucky.....	111	32	942	679	263
Louisiana.....	7, 922	2, 385	98, 745	67, 484	31, 261
Mississippi.....	22, 258	4, 962	150, 887	108, 251	42, 636
Missouri.....	6, 231	1, 558	46, 047	33, 268	12, 779
Nevada.....	18	3	1, 672	1, 087	585
New Mexico.....	2, 755	445	17, 465	12, 488	4, 977
North Carolina.....	8, 162	2, 541	77, 047	52, 732	24, 315
Oklahoma.....	15, 465	5, 244	205, 346	135, 279	70, 067
South Carolina.....	11, 255	5, 655	210, 235	141, 322	68, 913
Tennessee.....	8, 841	2, 635	55, 375	44, 693	10, 682
Texas.....	104, 250	19, 246	1, 428, 411	907, 712	520, 699
Virginia.....	253	80	1, 291	1, 041	250
Total.....	242, 934	64, 194	3, 008, 704	1, 995, 679	1, 013, 025

Summary of cotton export sales programs, 1955-56 through 1958-59 marketing years, and reactivation in 1963-64 marketing year

Marketing year (1)	Announcement numbers (2)	Total adjusted sales (3)	CCC export sales price ¹		14 markets ² price Middling 1-inch at average location (6)	Average export differential ³ (7)
			Average price basis Middling 1-inch at average location (4)	Minimum price Middling 1-inch at average location (5)		
1955-56	CN-EX-1 and NO-C-7	Bales 1,000,000	Cents per pound 26.81	Cents per pound 26.54	Cents per pound 34.31	Cents per pound 7.50
1956-57	CN-EX-2 and NO-C-8	7,747,200	26.68	26.35	33.89	7.21
1957-58	CN-EX-4 and NO-C-9	5,847,486	27.72	27.34	33.91	6.19
1958-59	CN-EX-5 and NO-C-11	2,357,781	28.61	28.30	34.41	5.80
1963-64	CN-EX-18 and NO-C-22	4,846,726	24.11	23.97	33.16	9.05
1964-66 ⁴	CN-EX-25 and NO-C-29	559,442	24.35	-----	30.42	6.07
1964-66 ⁵	CN-EX-23, 24 and NO-C-28	614,885	24.47	-----	30.41	5.94

¹ Weighted by bales sold on offers opened under programs.

² 15 markets on Aug. 1, 1963.

³ Difference between CCC average export sales price (col. 4) and average price for Middling 1-inch cotton in the 14 ² designated markets on dates CCC export sales offers opened, converted to average location (col. 6).

⁴ Announced on Sept. 9, 1964; 559,442 bales sold through offers of May 3, 1965.

⁵ Announced on Sept. 25, 1964; 614,885 bales sold through offers of May 3, 1965.

Summary of cotton export program, payment in kind, 1958-59 marketing year to date

Marketing year	Announce- ment number	Payment rate	Bales regis- tered ¹	Total pay- ments
		<i>Cents per pound</i>	<i>Bales</i>	<i>Dollars</i>
1958-59.....	CN-EX-6.....	6.5	408,713	13,703,864.73
1959-60.....	CN-EX-7.....	8.0	7,126,280	290,633,122.67
1960-61.....	CN-EX-9.....	6.0	6,437,465	195,855,452.24
1961-62.....	CN-EX-13.....	8.5	4,979,254	216,953,404.69
1962-63.....	CN-EX-15.....	8.5	3,280,496	142,164,262.43
1963-64.....	CN-EX-19.....	8.5	33,641	1,458,159.74
1964-66.....	PS-CN-2 ²	³ 6.5	1,948,627	^{2 3} 63,330,377.50

¹ Under 1964-66 program, relates to proof of export received for cotton reported in terms of 500-pound bales.

² Announced on July 1, 1964, at initial rate of 6.50 cents per pound; estimated payments based on cotton exported at rate of payment in effect.

³ Through May 14, 1965.

Acreage of cotton in specified countries

[In thousands of acres]

Area	Average		1960	1961	1962	1963	1964 ¹
	1934-38	1955-59					
United States ²	28,400	14,613	15,309	15,634	15,569	14,212	14,058
Mexico.....	679	2,270	2,234	2,020	2,064	1,964	1,924
Central America:							
Nicaragua.....	8	209	151	185	230	285	325
Other.....	159	180	311	422	507	608	647
Total.....	167	389	462	607	737	893	972
South America:							
Argentina.....	765	1,323	1,033	1,345	1,284	1,304	1,400
Brazil.....	5,181	4,320	5,000	5,500	5,500	5,750	6,000
Colombia.....	86	224	359	398	449	400	405
Peru.....	415	588	618	610	680	680	680
Other.....	186	282	267	284	367	355	355
Total.....	6,633	6,737	7,277	8,137	8,280	8,489	8,840
Europe:							
Greece.....	153	383	409	510	508	570	350
Italy.....		104	55	54	54	40	-----
Spain.....	43	454	618	788	855	650	490
Other.....	130	485	289	246	219	224	264
Total.....	326	1,426	1,371	1,598	1,636	1,484	1,104
Africa:							
Central African Republic.....		375	408	395	400	400	-----
Chad.....		580	592	618	750	715	-----
Congo, Léopoldville.....	814	848	450	250	300	300	-----
Egypt.....	1,843	1,858	1,944	2,062	1,720	1,689	1,672
Mozambique.....	³ 202	744	763	773	750	775	775
Nigeria.....	³ 188	790	800	800	800	800	800
Other.....	³ 813	3,514	3,940	4,692	4,925	4,480	5,816
Total.....	5,860	8,709	8,897	9,590	9,015	9,159	9,063
Asia and Oceania:							
Burma.....	461	336	379	468	475	500	550
India.....	⁴ 24,682	19,720	18,871	18,710	19,230	19,600	19,700
Iran.....	402	656	800	985	1,000	988	980
Korea, South.....		208	125	120	79	61	-----
Pakistan.....	(⁴)	3,490	3,242	3,488	3,435	3,670	3,670
Syria.....	74	623	525	616	747	721	710
Turkey.....	621	1,554	1,534	1,604	1,631	1,553	1,650
Other.....	8,078	15,006	13,618	11,150	9,686	11,098	11,904
Total.....	34,318	41,593	39,094	37,141	36,283	38,191	39,164
Foreign free world.....	¹ 41,778	46,249	45,951	48,348	48,795	49,571	49,758

¹ Preliminary.

² Harvested acres.

³ 4-year average.

⁴ India includes Pakistan.

Source: Foreign Agricultural Service.

Cotton yields in specified countries

[Pounds per acre]

Continent and country	Average		1960	1961	1962	1963	1964 ¹
	1934-38	1955-59					
United States.....	212	428	447	440	457	517	524
Mexico.....	227	430	451	474	564	515	568
Central America:							
Nicaragua.....	² 274	423	464	662	710	691	738
Other.....	103	629	491	510	581	549	588
Total.....	112	518	482	556	621	594	638
South America:							
Argentina.....	171	196	264	177	232	166	182
Brazil.....	165	166	187	220	204	192	184
Colombia.....	135	330	410	434	401	402	379
Peru.....	432	423	431	515	476	441	459
Other.....	168	148	137	145	127	150	166
Total.....	183	199	228	243	238	216	213
Europe:							
Greece.....	218	338	338	422	387	362	446
Italy.....		208	227	213	160	288	
Spain.....	119	221	256	298	290	329	338
Other.....	196	119	228	139	232	189	236
Total.....	198	217	273	310	308	319	348
Africa:							
Central African Republic.....		81	59	55	60	54	
Chad.....		83	130	59	102	111	
Congo, Léopoldville.....	88	138	133	144	120	96	96
Egypt.....	477	467	542	359	586	577	652
Mozambique.....	² 78	105	103	118	86	105	124
Nigeria.....	² 85	100	156	99	150	132	126
Other.....	115	152	147	153	174	141	141
Total.....	224	201	225	179	227	210	241
Asia and Oceania:							
Burma.....	² 103	104	95	97	91	62	79
India.....	100	97	118	105	122	127	119
Iran.....	205	224	274	258	204	257	257
Korea, South.....		129	111	168	164	142	
Pakistan.....	287	189	207	207	236	254	248
Syria.....	165	340	467	446	443	466	507
Turkey.....	186	228	243	284	318	355	349
Other.....	201	237	239	230	249	221	248
Total.....	126	166	180	169	184	185	190
Foreign free world.....	² 141	173	198	193	216	212	217

¹ Preliminary.² 4-year average.

Source: Foreign Agricultural Service.

Cotton production in specified countries

[In thousands of bales]

Continent and country	Average		1960	1961	1962	1963	1964 ¹
	1934-38	1955-59					
United States.....	12,712	13,013	14,272	14,318	14,867	15,334	15,173
Mexico.....	317	2,032	2,100	1,995	2,425	2,109	2,275
Central America:							
Nicaragua.....	5	184	146	255	340	410	500
Other.....	34	236	318	448	614	696	792
Total.....	39	420	464	703	954	1,106	1,292
South America:							
Argentina.....	275	539	569	496	620	450	530
Brazil.....	1,793	1,490	1,950	2,525	2,340	2,300	2,300
Colombia.....	23	154	307	360	375	335	320
Peru.....	372	518	555	655	675	625	650
Other.....	65	87	76	86	97	111	123
Total.....	2,528	2,788	3,457	4,122	4,107	3,821	3,923
Europe:							
Greece.....	70	270	288	448	410	430	325
Italy.....		45	26	24	18	24	
Spain.....	10	209	330	490	517	445	345
Other.....	53	120	137	71	106	88	130
Total.....	133	644	781	1,033	1,051	987	800
Africa:							
Central African Republic.....		63	50	45	50	45	
Chad.....		100	160	76	160	165	160
Congo, Léopoldville.....	153	243	125	75	75	60	40
Egypt.....	1,846	1,867	2,196	1,542	2,101	2,029	2,271
Mozambique.....		162	164	190	135	170	200
Nigeria.....	37	164	260	165	250	220	210
Other.....	672	1,115	1,210	1,491	1,556	1,318	1,709
Total.....	2,737	3,654	4,165	3,584	4,327	4,007	4,550
Asia and Oceania:							
Burma.....	95	73	75	95	90	65	90
India.....	² 5,168	3,991	4,630	4,075	4,900	5,200	4,900
Iran.....	158	306	456	530	425	530	525
Korea, South.....		56	29	42	27	18	
Pakistan.....	(²)	1,376	1,398	1,505	1,690	1,940	1,900
Syria.....	25	441	511	572	689	700	750
Turkey.....	240	738	775	950	1,080	1,150	1,200
Other.....	3,391	7,402	6,777	5,341	5,033	5,110	6,145
Total.....	9,077	14,383	14,651	13,110	13,934	14,713	15,510
Foreign free world.....	³ 12,300	16,643	18,986	19,479	21,928	21,932	22,339

¹ Preliminary.² India includes Pakistan.³ 3-year average.

Source: Foreign Agricultural Service.

Mill consumption of cotton, wool, and manmade fibers, total and percent of total by fiber, 1952-63

Calendar year	Million pounds				Percent			
	Cotton	Wool	Man-made	Total	Cotton	Wool	Man-made	Total
United States: ¹								
1952-----	4,470.9	466.4	1,490.2	6,427.5	69.5	7.3	23.2	100
1953-----	4,456.1	494.0	1,523.7	6,473.8	68.9	7.6	23.5	100
1954-----	4,127.3	384.1	1,508.3	6,019.7	68.6	6.4	25.0	100
1955-----	4,382.4	413.8	1,902.5	6,698.7	65.4	6.2	28.4	100
1956-----	4,362.6	440.8	1,727.4	6,530.8	66.8	6.7	26.5	100
1957-----	4,060.4	368.8	1,792.6	6,221.8	65.3	5.9	28.8	100
1958-----	3,866.9	331.1	1,764.2	5,962.2	64.8	5.6	29.6	100
1959-----	4,334.5	435.3	2,064.8	6,834.6	63.4	6.4	30.2	100
1960-----	4,190.9	411.0	1,878.0	6,479.9	64.7	6.3	29.0	100
1961-----	4,081.5	412.1	2,060.9	6,554.5	62.3	6.3	31.4	100
1962-----	4,188.0	429.1	2,419.2	7,036.3	59.5	6.1	34.4	100
1963 ² -----	4,040.2	411.7	2,788.0	7,239.9	55.8	5.7	38.5	100
1964 ² -----	4,245.2	355.4	3,175.5	7,776.1	54.6	4.6	40.8	100
Foreign free world: ³								
1952-----	7,520.8	1,583.6	1,874.7	10,979.1	68.5	14.4	17.1	100
1953-----	8,261.7	1,806.7	2,347.9	12,416.3	66.5	14.6	18.9	100
1954-----	8,973.2	1,737.2	2,799.4	13,509.8	66.4	12.9	20.7	100
1955-----	8,954.9	1,797.2	3,002.2	13,754.3	65.1	13.1	21.8	100
1956-----	9,516.2	1,934.3	3,539.5	14,990.0	63.5	12.9	23.6	100
1957-----	10,092.4	2,028.2	3,800.0	15,920.6	63.4	12.7	23.9	100
1958-----	9,729.3	1,826.3	3,443.2	14,998.8	64.9	12.2	22.9	100
1959-----	10,046.6	2,165.4	3,968.0	16,180.0	62.1	13.4	24.5	100
1960-----	10,847.3	2,096.1	4,264.2	17,207.6	63.0	12.2	24.8	100
1961-----	11,440.6	2,155.9	4,522.3	18,118.8	63.1	11.9	25.0	100
1962-----	11,147.6	2,140.0	4,949.8	18,237.4	61.1	11.7	27.2	100
1963 ² -----	11,463.0	2,147.1	5,535.1	19,145.2	59.9	11.2	29.0	100
Belgium: ³								
1952-----	173.5	57.1	20.3	250.9	69.2	22.8	8.0	100
1953-----	190.3	69.9	30.8	291.0	65.4	24.0	10.6	100
1954-----	210.8	63.3	41.2	315.3	66.9	20.0	13.1	100
1955-----	196.4	64.8	41.0	302.2	65.1	21.4	13.5	100
1956-----	202.0	78.0	45.2	325.4	62.1	24.0	13.9	100
1957-----	210.8	79.8	57.3	347.9	60.6	22.9	16.5	100
1958-----	164.5	70.3	38.2	273.0	60.2	25.8	14.0	100
1959-----	190.7	80.0	52.7	323.4	59.0	24.7	16.3	100
1960-----	202.8	88.0	65.4	356.2	56.9	24.7	18.4	100
1961-----	201.1	84.4	81.8	367.3	54.7	23.0	22.3	100
1962-----	185.6	102.1	101.2	388.9	47.7	26.2	26.1	100
1963 ² -----	184.5	97.0	122.6	404.1	45.7	24.0	30.3	100
France: ³								
1952-----	548.3	213.8	147.5	909.6	60.3	23.5	16.2	100
1953-----	582.2	250.2	189.1	1,021.5	57.0	24.5	18.5	100
1954-----	649.0	256.4	193.1	1,098.5	59.1	23.3	17.6	100
1955-----	570.3	245.6	209.6	1,025.5	55.6	24.0	20.4	100
1956-----	602.3	276.2	228.6	1,107.1	54.4	24.9	20.7	100
1957-----	667.3	310.4	270.7	1,248.4	53.4	24.9	21.7	100
1958-----	630.5	266.1	267.0	1,163.6	54.2	22.9	22.9	100
1959-----	589.3	284.0	258.4	1,131.7	52.1	25.1	22.8	100
1960-----	663.4	201.6	331.6	1,296.6	51.2	23.3	25.5	100
1961-----	661.8	301.6	336.6	1,299.5	50.9	23.2	25.9	100
1962-----	614.0	290.8	371.5	1,276.3	48.1	22.8	29.1	100
1963 ² -----	616.6	296.3	428.8	1,341.7	46.0	22.1	31.99	100

See footnotes at end of table.

Mill consumption of cotton, wool, and manmade fibers, total and percent of total by fiber, 1952-63—Continued

Calendar year	Million pounds				Percent			
	Cotton	Wool	Man-made	Total	Cotton	Wool	Man-made	Total
Federal Republic of Germany: ³								
1952.....	468.5	131.6	304.0	904.1	51.8	14.6	33.6	100
1953.....	548.7	153.7	349.9	1,052.3	52.2	14.6	33.2	100
1954.....	596.1	151.7	383.4	1,131.2	52.7	13.4	33.9	100
1955.....	599.9	180.1	417.3	1,197.3	50.1	15.0	34.9	100
1956.....	649.0	191.4	413.0	1,253.4	51.8	15.3	32.9	100
1957.....	696.9	192.2	425.5	1,314.6	53.0	14.6	32.4	100
1958.....	665.3	144.8	389.4	1,199.5	55.5	12.1	32.4	100
1959.....	669.8	149.9	454.3	1,274.0	52.6	11.8	35.6	100
1960.....	713.6	151.5	506.9	1,372.0	52.0	11.0	37.0	100
1961.....	689.6	149.7	528.2	1,367.5	50.4	11.0	38.6	100
1962.....	649.0	147.0	584.0	1,380.0	47.0	10.7	42.3	100
1963 ²	618.6	153.4	621.5	1,393.5	44.4	11.0	44.6	100
Italy: ³								
1952.....	409.6	125.0	126.3	660.9	62.0	18.9	19.1	100
1953.....	410.5	131.6	145.5	687.6	59.7	19.1	21.2	100
1954.....	414.9	118.6	192.5	726.0	57.2	16.3	26.5	100
1955.....	361.3	113.3	161.1	635.7	56.8	17.8	25.4	100
1956.....	386.2	126.8	212.8	725.8	53.2	17.5	29.3	100
1957.....	430.8	160.9	238.5	830.2	51.9	19.4	28.7	100
1958.....	405.9	156.1	244.5	806.5	50.3	19.4	30.3	100
1959.....	443.6	166.2	268.5	878.3	50.5	18.9	30.6	100
1960.....	500.4	198.0	290.1	988.5	50.6	20.0	29.4	100
1961.....	496.0	187.0	314.8	997.8	49.7	18.7	31.6	100
1962.....	508.4	205.0	396.1	1,109.5	45.8	18.5	35.7	100
1963 ²	502.6	196.2	434.1	1,132.9	44.4	17.3	38.3	100
United Kingdom: ³								
1952.....	694.4	385.8	246.9	1,327.1	52.3	29.0	18.7	100
1953.....	814.6	496.0	376.9	1,687.5	48.3	29.4	22.3	100
1954.....	883.4	471.6	401.3	1,756.3	50.3	26.8	22.9	100
1955.....	774.3	486.3	394.6	1,655.2	46.8	29.4	23.8	100
1956.....	733.2	492.1	423.3	1,648.6	44.5	29.8	25.7	100
1957.....	759.9	500.2	449.8	1,709.9	44.4	29.2	26.4	100
1958.....	631.8	460.1	372.5	1,464.4	43.1	31.4	25.5	100
1959.....	639.1	509.3	439.6	1,588.0	40.2	32.1	27.7	100
1960.....	613.8	481.3	526.9	1,622.0	37.8	29.7	32.5	100
1961.....	551.2	472.0	604.0	1,627.2	33.9	29.0	37.1	100
1962.....	489.6	448.4	670.6	1,608.6	30.4	27.9	41.7	100
1963 ²	503.1	457.9	798.5	1,759.5	28.6	26.0	45.4	100
Japan: ³								
1952.....	905.4	99.2	396.2	1,400.8	64.6	7.1	28.3	100
1953.....	1,075.0	125.2	518.3	1,718.5	62.6	7.3	30.1	100
1954.....	1,107.2	110.0	635.4	1,852.6	59.8	5.9	34.3	100
1955.....	998.9	126.5	744.5	1,869.9	53.5	6.8	39.7	100
1956.....	1,248.0	170.6	955.0	2,373.6	52.6	7.2	40.2	100
1957.....	1,338.4	188.3	1,016.5	2,543.2	52.6	7.4	40.0	100
1958.....	1,103.2	161.4	768.7	2,033.3	54.3	7.9	37.8	100
1959.....	1,250.9	239.0	970.6	2,460.5	50.8	9.7	39.5	100
1960.....	1,478.2	281.3	1,087.9	2,847.4	51.9	9.9	38.2	100
1961.....	1,741.6	325.2	1,164.0	3,230.8	53.9	10.1	36.0	100
1962.....	1,443.4	297.4	1,170.4	2,911.2	49.6	10.2	40.2	100
1963 ²	1,469.8	302.3	1,330.7	3,102.8	47.4	9.7	42.9	100

¹ Data from Economic Research Service, U.S. Department of Agriculture.

² Preliminary.

³ Data from International Cotton Advisory Committee.

Cotton exports from specified countries

[In thousands of bales—Bales of 500 pounds gross weight]

Continent and country	Average		1960	1961	1962	1963 ¹	1964 ²
	1934-38	1955-59					
United States.....	5,296	5,297	6,858	5,056	3,429	5,775	4,500
Mexico.....	95	1,573	1,610	1,482	1,897	1,426	-----
Central America:							
Nicaragua.....		196	139	242	288	410	-----
Other.....		208	231	345	542	609	-----
Total.....		404	370	587	830	1,019	-----
South America:							
Argentina.....	133	³ 33	66	141	216	100	-----
Brazil.....	1,065	419	695	847	1,145	1,023	-----
Colombia.....		⁴ 30	119	143	115	45	-----
Peru.....	337	442	478	576	590	509	-----
Other.....		0	20	29	32	47	-----
Total.....		924	1,378	1,736	2,098	1,724	-----
Europe:							
Greece.....		160	150	302	238	263	-----
Italy.....							-----
Spain.....		0	0	0	100	60	-----
Other.....		5	5	8	4	6	-----
Total.....		165	155	310	342	329	-----
Africa:							
Central African Republic.....							-----
Chad.....							-----
Congo, Léopoldville.....	⁵ 133	199	120	85	28	28	-----
Egypt.....	1,746	1,366	1,582	1,121	1,361	1,385	-----
Mozambique.....	⁵ 25	141	210	154	184	115	-----
Nigeria.....		146	181	168	128	160	-----
Other.....		1,227	1,128	1,272	1,491	1,617	-----
Total.....		3,079	3,221	2,800	3,192	3,305	-----
Asia and Oceania:							
Burma.....	(⁶)	58	49	69	69	-----	-----
India.....	⁶ 2,779	309	224	253	287	231	-----
Iran.....	80	187	245	266	220	332	-----
Korea, South.....	⁵ 47	0	0	0	0	0	-----
Pakistan.....	(⁶)	464	244	299	683	689	-----
Syria.....	⁵ 11	383	445	474	614	608	-----
Turkey.....	⁵ 84	246	286	458	568	587	-----
Other.....		284	233	172	130	215	-----
Total.....		1,931	1,726	1,991	2,571	2,662	-----
Foreign free world.....	7,541	8,075	8,460	8,906	10,930	10,529	10,800

¹ Preliminary and partly estimated.² Estimated.³ 4-year average.⁴ 1 year available.⁵ Calendar years.⁶ India includes Burma and Pakistan.

Source: Foreign Agriculture Service.

Cotton—Average prices¹ of selected growths and qualities; c.i.f., Liverpool, England, annual 1961-64, March-April 1964, January-April 1965
[Equivalent U.S. cents per pound]

Date, year and month	Middling 1-inch		Middling 1½-inch			Strict Middling 1½-inch			Strict Middling 1⅞-inch		Uganda B.P. 52	
	United States	Pakistan 289 F	United States	Mexico	Nicaragua	United States	Syria	U.S.S.R.	United States	Iran		
1961-----	28.81	32.26	28.86	29.16	28.76	29.81	30.12	31.19	30.78	30.66	32.23	36.46
1962-----	28.62	32.35	29.26	28.45	28.29	29.92	29.46	30.05	30.55	30.28	32.00	35.03
1963-----	27.29	28.66	28.01	28.21	27.60	29.38	28.82	29.35	29.54	29.46	31.36	35.11
1964-----	26.96	27.82	27.74	28.60	27.64	28.55	28.44	30.02	29.37	29.87	31.35	37.22
1964:-----												
March-----	27.05	28.56	27.86	28.87	27.93	28.68	29.74	30.40	29.44	30.82	31.78	36.61
April-----	27.17	27.36	27.99	28.76	28.08	28.81	27.82	30.21	29.68	30.91	31.72	37.38
1965:-----												
January-----	27.28	29.36	28.09	28.16	26.76	28.90	28.52	29.89	29.66	29.08	31.46	39.37
February-----	27.39	31.36	28.20	28.25	26.39	29.02	28.70	29.82	29.70	29.28	31.66	37.80
March-----	27.42	32.03	28.24	28.23	26.33	29.05	28.62	29.74	29.69	29.60	32.02	36.21
April-----	27.49	33.07	28.31	28.29	26.70	29.13	28.50	29.72	29.77	29.71	32.10	35.28

¹ Generally for prompt shipment. Prices for certain qualities were computed using value differences. Source: Foreign Agricultural Service.

Cotton—Average prices ¹ of selected growths and qualities, c.i.f. Bremen, Germany, annual 1961-64, March-April 1964, January-April 1965
[Equivalent U.S. cents per pound]

Date, year, and month	Middling 1½/32-inch			Strict middling 1½/32-inch		Strict middling 1½/16-inch			Strict middling 1½/8-inch	
	United States	Mexico	Nicaragua	United States	Syria	United States	U.S.S.R. ²	Iran	United States	Uganda B.F. 52
1961-----	28.89	29.25	28.72	29.90	31.36	30.74	30.93	29.98	32.67	35.60
1962-----	28.65	28.57	28.07	29.35	30.51	30.36	29.66	29.94	32.15	35.53
1963-----	28.02	28.37	27.60	29.03	30.30	29.71	29.13	29.35	31.36	33.77
1964-----	27.65	28.12	27.36	28.72	30.41	29.54	29.94	29.64	31.64	35.52
1964:-----										
March-----	27.85	28.22	28.07	28.98	30.96	29.69	30.06	29.73	31.57	36.00
April-----	27.90	28.30	27.78	28.92	31.08	29.70	30.03	29.75	31.60	36.20
1965:-----										
January-----	27.30	27.90	26.74	28.40	29.51	29.30	29.50	29.68	32.08	35.96
February-----	27.30	27.78	26.30	28.45	29.40	29.38	29.25	29.70	32.20	34.88
March-----	27.30	27.83	26.16	28.50	29.44	29.45	29.12	29.71	32.35	33.98
April-----	27.32	27.75	26.30	28.50	29.48	29.45	29.10	29.75	32.42	33.55

¹ For prompt shipment. Prices for certain qualities were computed using value equivalent to United States, Strict Middling 1½/16-inch.
difference.
² In this market Russian Pervyi 31/32 mm. cotton is considered to be more nearly

Source: Foreign Agricultural Service.

Prices of United States and Mexican cotton; cost, insurance, and freight, Liverpool; monthly averages, 1952-65; Middling 1 $\frac{1}{32}$ -inch prior to June 1959, Strict Middling 1 $\frac{1}{16}$ -inch thereafter

[In U.S. cents per pound]

Year and month	United States	Mexican	Year and month	United States	Mexican
<i>1952</i>			<i>1957</i>		
January.....	53.87	-----	January.....	31.15	31.79
February.....	50.11	50.55	February.....	31.12	33.08
March.....	48.66	48.17	March.....	31.27	32.44
April.....	49.04	48.54	April.....	31.24	32.18
May.....	47.93	48.44	May.....	31.51	32.10
June.....	46.98	45.33	June.....	31.51	31.18
July.....	46.32	45.73	July.....	31.52	30.90
August.....	46.00	45.30	August.....	31.53	31.48
September.....	45.91	45.23	September.....	31.35	31.40
October.....	44.18	43.20	October.....	31.50	31.74
November.....	42.52	41.67	November.....	32.27	32.34
December.....	40.44	39.62	December.....	32.54	33.02
Average.....	46.83	45.15	Average.....	31.54	31.97
<i>1953</i>			<i>1958</i>		
January.....	39.25	38.13	January.....	33.19	33.38
February.....	39.08	37.97	February.....	32.11	32.19
March.....	39.38	37.29	March.....	31.18	31.38
April.....	39.19	38.08	April.....	31.16	31.76
May.....	39.62	38.51	May.....	31.50	31.61
June.....	39.38	38.33	June.....	32.06	30.99
July.....	38.43	37.51	July.....	32.59	29.55
August.....	38.09	36.93	August.....	32.26	29.36
September.....	38.46	36.85	September.....	31.39	28.54
October.....	38.36	36.68	October.....	31.38	29.24
November.....	39.49	37.24	November.....	31.27	27.91
December.....	38.49	37.66	December.....	31.18	26.29
Average.....	38.85	37.63	Average.....	31.77	30.18
<i>1954</i>			<i>1959</i>		
January.....	39.19	38.61	January.....	30.98	26.68
February.....	39.98	37.05	February.....	30.21	26.58
March.....	40.02	38.31	March.....	30.17	26.95
April.....	40.16	38.75	April.....	30.51	27.46
May.....	40.29	38.49	May.....	31.30	27.85
June.....	39.41	37.85	June.....	28.22	28.42
July.....	38.53	37.63	July.....	28.47	27.88
August.....	38.99	38.54	August.....	28.54	28.09
September.....	40.01	39.74	September.....	28.48	28.48
October.....	39.75	39.56	October.....	28.64	28.70
November.....	39.03	39.03	November.....	29.17	29.22
December.....	39.82	39.46	December.....	29.88	29.91
Average.....	39.60	38.59	Average.....	29.55	28.02
<i>1955</i>			<i>1960</i>		
January.....	39.89	39.18	January.....	29.70	29.38
February.....	39.94	39.05	February.....	29.61	29.27
March.....	39.56	37.93	March.....	29.63	29.35
April.....	39.44	37.50	April.....	30.03	29.20
May.....	41.05	38.02	May.....	30.00	29.31
June.....	40.82	37.82	June.....	29.78	29.72
July.....	39.25	36.53	July.....	29.45	29.84
August.....	39.16	36.24	August.....	29.68	29.64
September.....	38.61	33.92	September.....	29.89	30.01
October.....	39.19	32.12	October.....	30.05	30.16
November.....	39.89	32.37	November.....	29.90	30.20
December.....	39.87	31.74	December.....	30.24	30.12
Average.....	39.72	36.04	Average.....	29.83	29.68
<i>1956</i>			<i>1961</i>		
January.....	39.92	32.58	January.....	30.28	30.12
February.....	40.19	35.57	February.....	30.96	30.75
March.....	40.53	36.42	March.....	30.48	30.60
April.....	38.83	35.46	April.....	30.23	30.52
May.....	33.10	32.64	May.....	30.10	30.74
June.....	31.09	31.09	June.....	30.15	30.66
July.....	30.17	29.99	July.....	30.20	30.60
August.....	29.82	29.44	August.....	30.23	30.50
September.....	29.44	29.64	September.....	30.48	30.56
October.....	30.19	30.17	October.....	30.68	30.71
November.....	31.23	31.45	November.....	30.73	30.15
December.....	31.91	32.46	December.....	30.87	29.96
Average.....	33.87	32.24	Average.....	30.45	30.49

See footnote at end of table.

Prices of United States and Mexican cotton; cost, insurance, and freight, Liverpool; monthly averages, 1952-65; Middling 1 $\frac{1}{32}$ -inch prior to June 1959, Strict Middling 1 $\frac{1}{16}$ -inch thereafter—Continued

[In U.S. cents per pound]

Year and month	United States	Mexican	Year and month	United States	Mexican
<i>1962</i>					
January.....	31.04	29.94	November.....	28.74	29.19
February.....	31.25	30.09	December.....	28.90	29.36
March.....	31.11	30.10			
April.....	31.95	29.93	Average.....	29.51	29.27
May.....	31.83	29.82			
June.....	30.72	29.68	<i>1964</i>		
July.....	30.00	29.43	January.....	29.11	29.76
August.....	30.04	28.95	February.....	29.32	29.72
September.....	29.88	28.42	March.....	29.44	29.70
October.....	29.82	28.45	April.....	29.58	29.59
November.....	29.71	28.78	May.....	29.16	29.76
December.....	30.16	29.63	June.....	29.10	29.89
			July.....	29.22	29.42
Average.....	30.62	29.44	August.....	29.30	29.19
<i>1963</i>			September.....	29.23	29.39
January.....	30.72	29.85	October.....	29.30	29.30
February.....	31.30	29.70	November.....	29.38	29.09
March.....	31.51	29.31	December.....	29.58	29.14
April.....	29.93	29.06			
May.....	29.08	28.98	Average.....	29.31	29.50
June.....	28.96	28.92			
July.....	28.91	28.91	<i>1965</i>		
August.....	28.75	29.16	January.....	29.66	29.14
September.....	28.69	29.49	February.....	29.70	29.35
October.....	28.68	29.26	March.....	30.04	29.33
			April.....	30.12	31.44

Source: Cotton Division, FAS.

Prices of United States and Mexican cotton; cost, insurance, and freight, Liverpool; monthly averages, 1958-59 to 1964-65; Strict Middling 1 $\frac{1}{16}$ -inch (Middling 1 $\frac{1}{32}$ -inch prior to June 1959)

[In U.S. cents per pound]

Year and month	United States	Mexican	Year and month	United States	Mexican
<i>1958-59</i>			<i>1962-63</i>		
August.....	32.26	29.36	January.....	31.04	29.94
September.....	31.39	28.54	February.....	31.25	30.09
October.....	31.38	29.24	March.....	31.11	30.10
November.....	31.27	27.91	April.....	31.95	29.93
December.....	31.18	26.29	May.....	31.83	29.82
<i>1959-60</i>			June.....	30.72	29.68
January.....	30.98	26.68	July.....	30.00	29.43
February.....	30.21	26.58	August.....	30.04	28.95
March.....	30.17	26.95	September.....	29.88	28.42
April.....	30.41	27.46	October.....	29.82	28.45
May.....	31.30	27.85	November.....	29.71	29.78
June.....	28.22	28.42	December.....	30.16	29.63
July.....	28.47	27.88	<i>1963-64</i>		
August.....	28.54	28.09	January.....	30.72	29.85
September.....	28.48	28.48	February.....	31.30	29.70
October.....	28.64	28.70	March.....	31.51	29.31
November.....	29.17	29.22	April.....	29.93	29.06
December.....	29.88	29.91	May.....	29.08	29.98
<i>1960-61</i>			June.....	28.96	28.92
January.....	29.70	29.38	July.....	28.91	28.91
February.....	29.61	29.27	August.....	28.75	29.16
March.....	29.63	29.35	September.....	28.69	29.49
April.....	30.03	29.20	October.....	28.68	29.26
May.....	30.00	29.31	November.....	28.74	29.19
June.....	29.78	29.72	December.....	28.90	29.36
July.....	29.45	29.84	<i>1964-65</i>		
August.....	29.68	29.64	January.....	29.11	29.76
September.....	29.89	30.01	February.....	29.32	29.72
October.....	30.05	30.16	March.....	29.44	29.70
November.....	29.90	30.20	April.....	29.58	29.59
December.....	30.24	30.12	May.....	29.16	29.76
<i>1961-62</i>			June.....	29.10	29.89
January.....	30.28	30.12	July.....	29.22	29.42
February.....	30.96	30.75	August.....	29.30	29.19
March.....	30.48	30.60	September.....	29.23	29.39
April.....	30.23	30.52	October.....	29.30	29.30
May.....	30.10	30.74	November.....	29.38	29.09
June.....	30.15	30.66	December.....	29.58	29.14
July.....	30.20	30.60	<i>1965-66</i>		
August.....	30.23	30.50	January.....	29.66	29.14
September.....	30.48	30.56	February.....	29.70	29.35
October.....	30.68	30.71			
November.....	30.73	30.15			
December.....	30.87	29.96			

Source: Cotton Division, FAS.

*Price comparisons of upland cotton for marketing years 1954-55 through
February 1964-65*

Marketing years	Basis middling 1-inch at average location			Export pay- ment— PIK (cents per pound)	Spot market versus support price (col. 2 minus col. 1)	Spot market minus direct sales (col. 2 minus col. 3)	Spot market minus PIK payment (col. 2 minus col. 4)
	Support price ¹ (cents per pound)	Spot markets (cents per pound)	Direct sales export ² (cents per pound)				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>1954-55</i>							
August.....	34.03	34.59	(3)	(4)	0.56	-----	-----
September.....	34.03	34.99	(3)	(4)	.96	-----	-----
October.....	34.03	34.90	(3)	(4)	.87	-----	-----
November.....	34.03	34.43	(3)	(4)	.40	-----	-----
December.....	34.03	34.64	(3)	(4)	.61	-----	-----
January.....	34.03	34.78	(3)	(4)	.75	-----	-----
February.....	34.03	34.88	(3)	(4)	.85	-----	-----
March.....	34.03	34.33	(3)	(4)	.30	-----	-----
April.....	34.03	34.31	(3)	(4)	.28	-----	-----
May.....	34.03	34.80	(3)	(4)	.77	-----	-----
June.....	34.03	34.99	(3)	(4)	.96	-----	-----
July.....	34.03	34.82	(3)	(4)	.79	-----	-----
<i>1955-56</i>							
August.....	34.55	34.71	-----	(4)	.16	-----	-----
September.....	34.55	34.08	-----	(4)	-.47	-----	-----
October.....	34.55	33.95	-----	(4)	-.60	-----	-----
November.....	34.55	34.59	-----	(4)	.04	-----	-----
December.....	34.55	34.56	-----	(4)	.01	-----	-----
January ⁵	34.55	34.92	26.81	(4)	.37	8.11	-----
February ⁵	34.55	35.95	26.81	(4)	1.40	9.14	-----
March.....	34.55	36.20	-----	(4)	1.65	-----	-----
April.....	34.55	36.17	-----	(4)	1.62	-----	-----
May.....	34.55	36.12	-----	(4)	1.57	-----	-----
June.....	34.55	36.16	-----	(4)	1.61	-----	-----
July.....	34.55	35.05	-----	(4)	.50	-----	-----
<i>1956-57</i>							
August.....	32.74	32.73	26.04	(4)	-.01	6.69	-----
September.....	32.74	32.79	26.18	(4)	.05	6.61	-----
October.....	32.74	32.91	26.26	(4)	.17	6.65	-----
November.....	32.74	32.91	26.64	(4)	.17	6.27	-----
December.....	32.74	32.87	26.85	(4)	.13	6.02	-----
January.....	32.74	33.13	27.04	(4)	.39	6.09	-----
February.....	32.74	33.49	27.11	(4)	.74	6.36	-----
March.....	32.74	33.54	27.31	(4)	.80	6.23	-----
April.....	32.74	33.59	27.61	(4)	.85	5.98	-----
May.....	32.74	33.61	27.70	(4)	.87	5.91	-----
June.....	32.74	33.69	27.70	(4)	.95	5.99	-----
July.....	32.74	33.71	27.84	(4)	.97	5.87	-----
<i>1957-58</i>							
August.....	32.31	33.38	27.25	(4)	1.07	6.13	-----
September.....	32.31	32.99	27.24	(4)	.68	5.75	-----
October.....	32.31	33.29	27.30	(4)	.98	5.99	-----
November.....	32.31	34.09	28.00	(4)	1.78	6.09	-----
December.....	32.31	34.64	28.30	(4)	2.33	6.34	-----
January.....	32.31	34.58	28.54	(4)	2.27	6.04	-----
February.....	32.31	34.37	28.37	(4)	2.06	6.00	-----
March.....	32.31	34.29	28.21	(4)	1.98	6.08	-----
April.....	32.31	34.34	28.39	(4)	2.03	5.95	-----
May.....	32.31	34.48	28.60	(4)	2.17	5.88	-----
June.....	32.31	34.56	28.82	(4)	2.25	5.74	-----
July.....	32.31	34.63	28.89	(4)	2.32	5.74	-----
<i>1958-59</i>							
August.....	35.08	34.56	28.50	6.5	-.52	6.06	28.06
September.....	35.08	34.43	28.41	6.5	-.65	6.02	27.93
October.....	35.08	34.48	28.72	6.5	-.60	5.76	27.98
November.....	35.08	34.48	28.70	6.5	-.60	5.78	27.98
December.....	35.08	34.14	28.49	6.5	-.94	5.65	27.64
January.....	35.08	34.04	28.41	6.5	-1.04	5.63	27.54
February.....	35.08	34.01	28.45	6.5	-1.07	5.56	27.51
March.....	35.08	34.10	28.46	6.5	-.98	5.64	27.60
April.....	35.08	34.29	28.47	6.5	-.79	5.82	27.79
May.....	35.08	34.35	28.44	6.5	-.73	5.91	27.85
June.....	35.08	34.25	28.49	6.5	-.83	5.76	27.75
July.....	35.08	33.28	28.47	6.5	-.80	4.81	26.78

See footnotes at end of table.

*Price comparisons of upland cotton for marketing year 1954-55 through
February 1965-65—Continued*

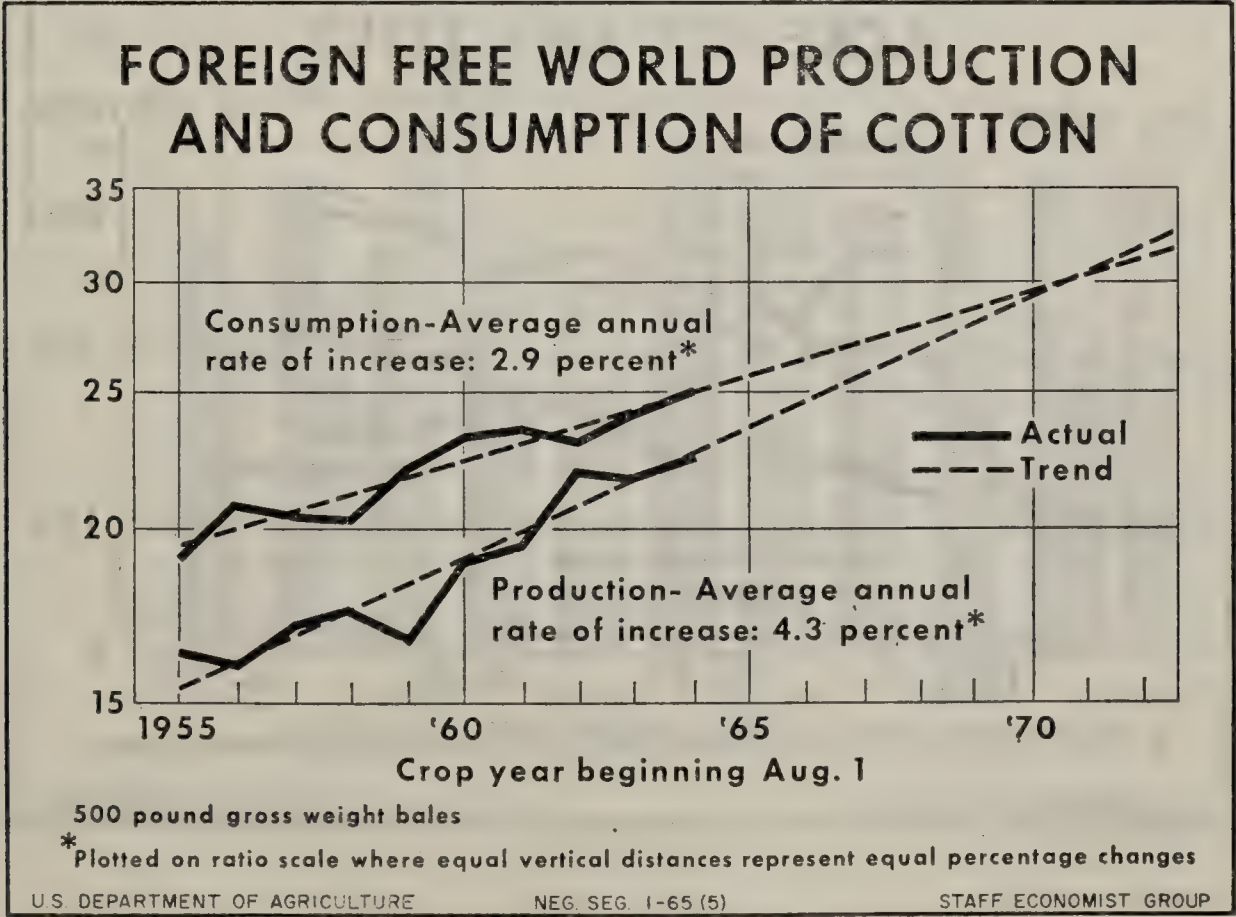
Marketing years	Basis middling 1-inch at average location			Export pay- ment— PIK (cents per pound)	Spot market versus support price (col. 2 minus col. 1)	Spot market minus direct sales (col. 2 minus col. 3)	Spot market minus PIK payment (col. 2 minus col. 4)
	Support price ¹ (cents per pound)	Spot markets (cents per pound)	Direct sales export ² (cents per pound)				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>1959-60</i>							
August.....	34.10	31.66	(3)	8.0	-2.44		23.66
September.....	34.10	31.48	(3)	8.0	-2.62		23.48
October.....	34.10	31.37	(3)	8.0	-2.73		23.37
November.....	34.10	31.32	(3)	8.0	-2.78		23.32
December.....	34.10	31.49	(3)	8.0	-2.61		23.49
January.....	34.10	31.62	(3)	8.0	-2.48		23.62
February.....	34.10	31.72	(3)	8.0	-2.38		23.72
March.....	34.10	31.75	(3)	8.0	-2.35		23.75
April.....	34.10	31.81	(3)	8.0	-2.29		23.81
May.....	34.10	31.89	(3)	8.0	-2.21		23.89
June.....	34.10	31.95	(3)	8.0	-2.15		23.95
July.....	34.10	31.67	(3)	8.0	-2.43		23.67
<i>1960-61</i>							
August.....	32.42	30.46	(3)	6.0	-1.96		24.46
September.....	32.42	30.23	(3)	6.0	-2.19		24.23
October.....	32.42	29.93	(3)	6.0	-2.49		23.93
November.....	32.42	29.90	(3)	6.0	-2.52		23.90
December.....	32.42	29.87	(3)	6.0	-2.55		23.87
January.....	32.42	29.85	(3)	6.0	-2.57		23.85
February.....	32.42	30.12	(3)	6.0	-2.30		24.12
March.....	32.42	30.78	(3)	6.0	-1.64		24.78
April.....	32.42	31.12	(3)	6.0	-1.30		25.12
May.....	32.42	31.51	(3)	6.0	-.91		25.51
June.....	32.42	31.93	(3)	6.0	-.49		25.93
July.....	32.42	32.36	(3)	6.0	-.06		26.36
<i>1961-62</i>							
August.....	33.04	32.81	(3)	8.5	-.23		24.39
September.....	33.04	33.08	(3)	8.5	-.04		24.51
October.....	33.04	33.29	(3)	8.5	.25		24.78
November.....	33.04	33.29	(3)	8.5	.25		24.79
December.....	33.04	33.26	(3)	8.5	.22		24.76
January.....	33.04	33.30	(3)	8.5	.26		24.80
February.....	33.04	33.36	(3)	8.5	.32		24.86
March.....	33.04	33.45	(3)	8.5	.41		24.95
April.....	33.04	33.55	(3)	8.5	.51		25.05
May.....	33.04	33.58	(3)	8.5	.54		25.08
June.....	33.04	33.79	(3)	8.5	.75		25.29
July.....	33.04	33.68	(3)	8.5	.64		25.18
<i>1962-63</i>							
August.....	32.47	33.11	(3)	8.5	.64		24.61
September.....	32.47	32.77	(3)	8.5	.30		24.27
October.....	32.47	32.76	(3)	8.5	.29		24.26
November.....	32.47	32.73	(3)	8.5	.26		24.23
December.....	32.47	32.88	(3)	8.5	.41		24.38
January.....	32.47	33.17	(3)	8.5	.70		24.67
February.....	32.47	33.50	(3)	8.5	1.03		25.00
March.....	32.47	33.79	(3)	8.5	1.32		25.29
April.....	32.47	33.86	(3)	8.5	1.39		25.36
May.....	32.47	33.88	(3)	8.5	1.41		25.38
June.....	32.47	33.66	(3)	8.5	1.19		25.16
July.....	32.47	33.18	(3)	8.5	.71		24.68
<i>1963-64</i>							
August.....	32.47	32.92	24.12	8.5	.45	8.80	24.42
September.....	32.47	32.84	24.08	8.5	.37	8.76	24.34
October.....	32.47	32.83	24.15	8.5	.36	8.68	24.33
November.....	32.47	32.86	24.12	8.5	.39	8.74	24.36
December.....	32.47	32.90	24.08	8.5	.43	8.82	24.40
January.....	32.47	32.97	24.05	8.5	.50	8.92	24.47
February.....	32.47	33.05	24.07	8.5	.58	8.98	24.55
March.....	32.47	33.13	24.06	8.5	.66	9.07	24.63
April.....	32.47	33.16	24.06	8.5	.69	9.10	24.66
May.....	32.47	33.12	24.05	8.5	.65	9.07	24.62
June.....	32.47	33.02	24.05	8.5	.55	8.97	24.52
July.....	32.47	32.32	24.03	8.5	.15	8.29	23.82

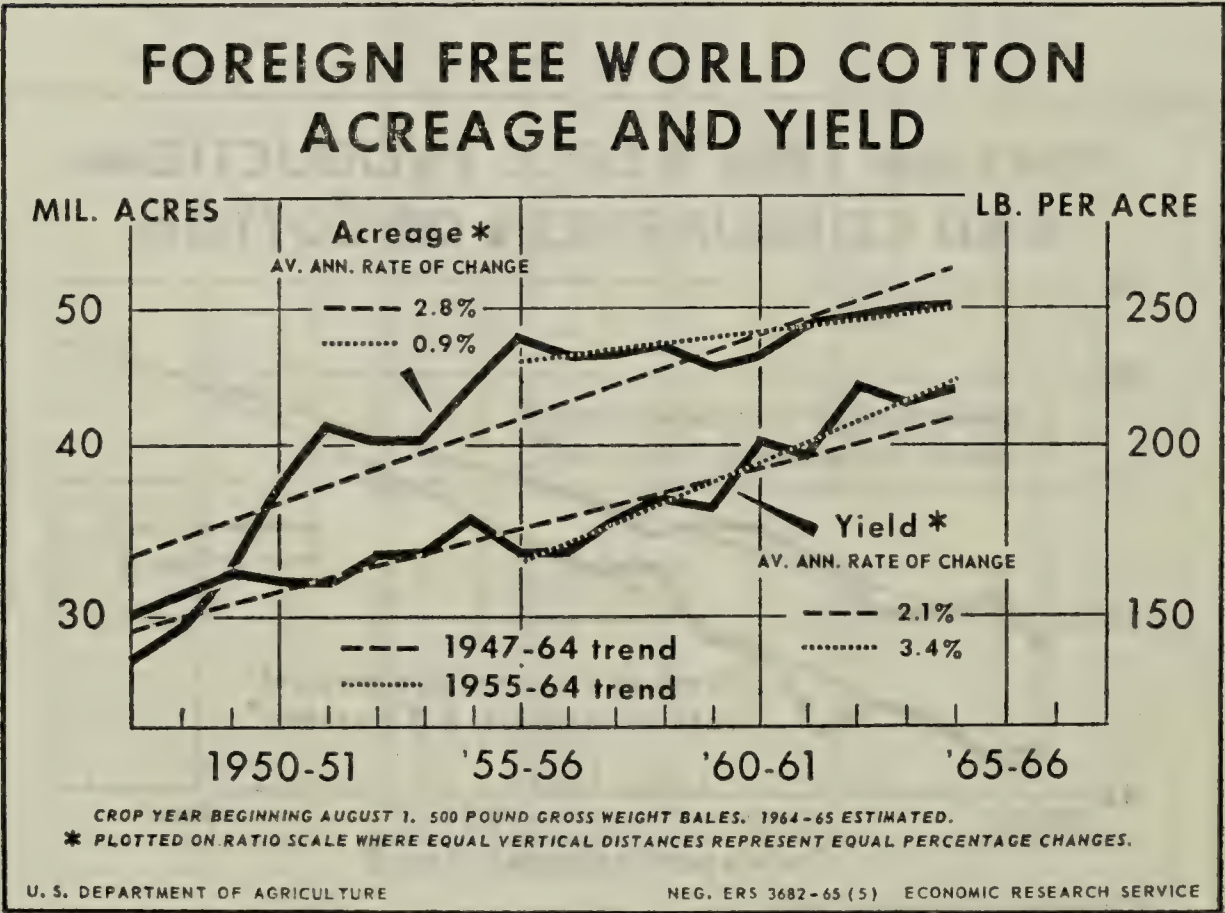
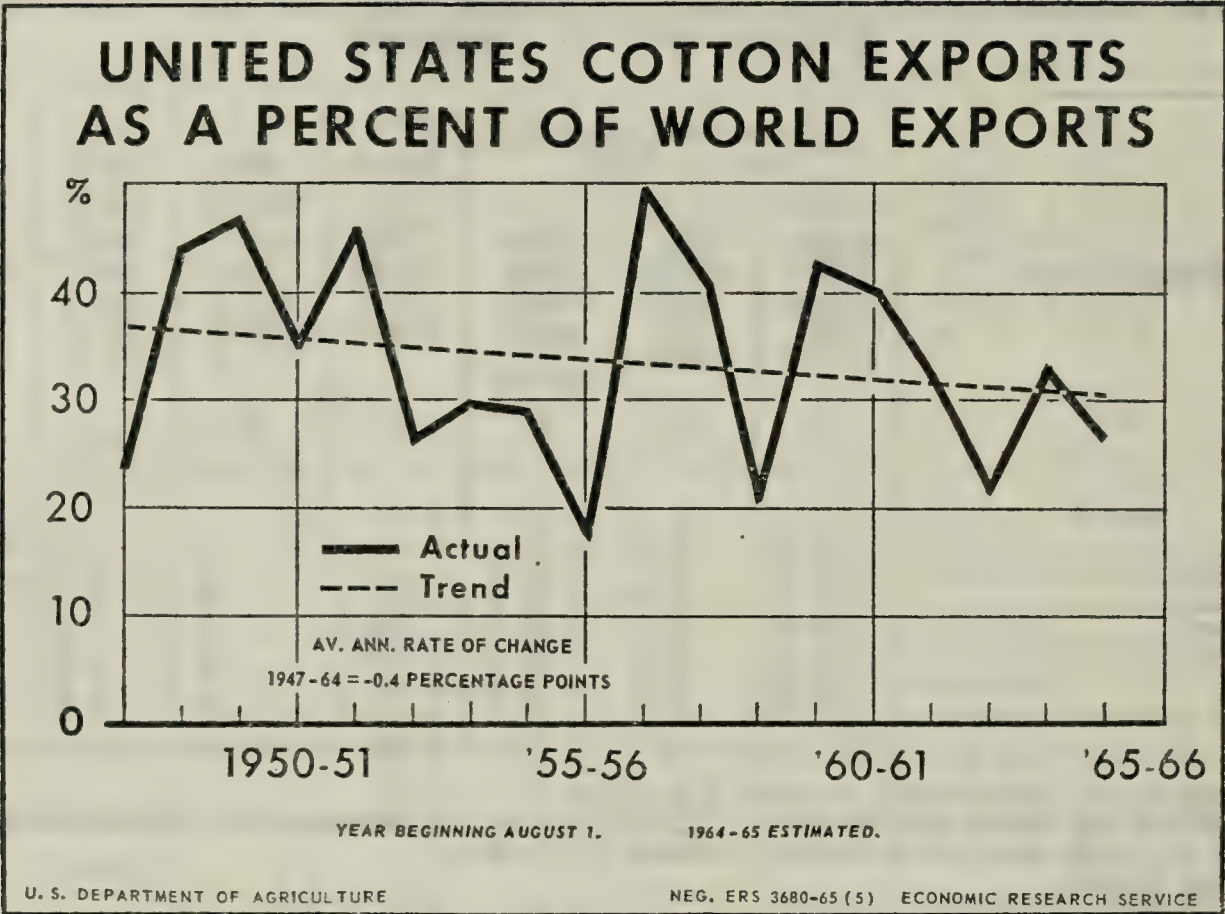
See footnotes at end of table.

Price comparisons of upland cotton for marketing year 1954-55 through February 1965-65—Continued

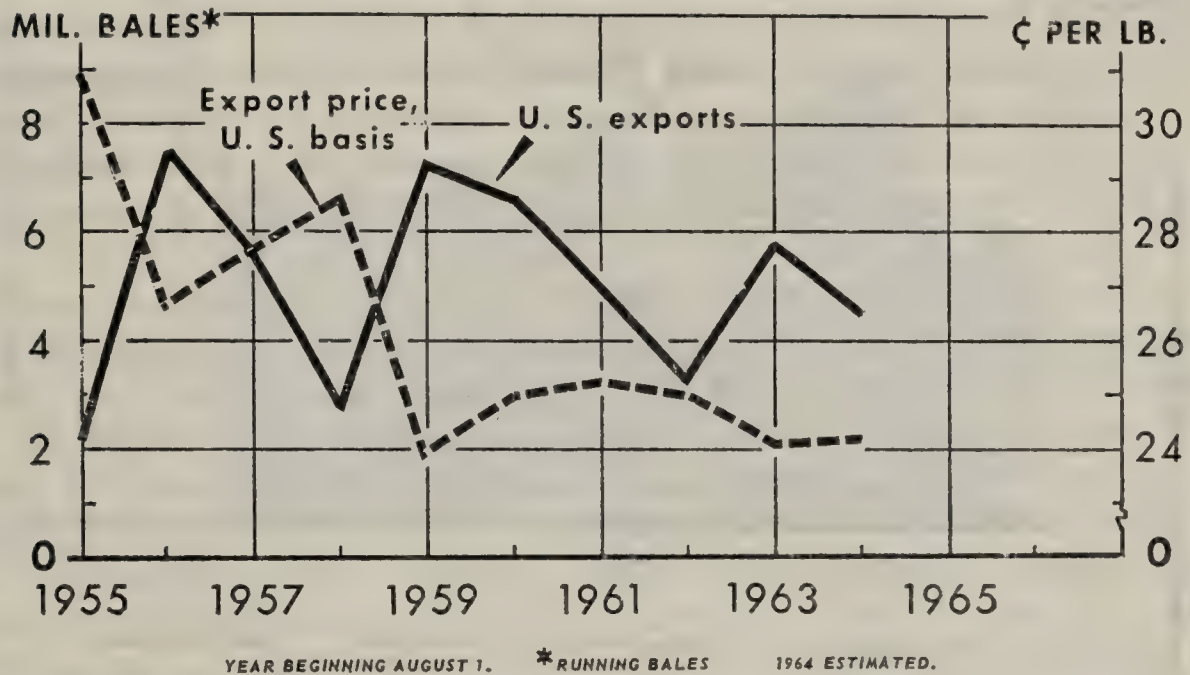
Marketing years	Basis middling 1-inch at average location			Export payment—PIK (cents per pound)	Spot market versus support price (col. 2 minus col. 1)	Spot market minus direct sales (col. 2 minus col. 3)	Spot market minus PIK payment (col. 2 minus col. 4)
	Support price ¹ (cents per pound)	Spot markets (cents per pound)	Direct sales export ² (cents per pound)				
	(1)	(2)	(3)				
1964-65							
August	30.00	31.00					
September	30.00	30.47	24.14	6.5	.47	6.33	23.97
October	30.00	30.38	24.26	6.5	.38	6.12	23.88
November	30.00	30.38	24.34	6.5	.38	6.04	23.88
December	30.00	30.37	24.43	6.5	.37	5.94	23.87
January	30.00	30.36	24.56	6.5	.36	5.80	23.86
February	30.00	30.43	24.63	6.5	.43	5.80	23.93

¹ For 1959-60 and 1960-61 price is for choice A plan only.
² 1963-64 does not include price at which CCC sold its equity in 1963 crop loan. Represents only sales made for the month under the designated marketing year program.
³ No sales program.
⁴ No PIK program.
⁵ Special 1,000,000-bale program.



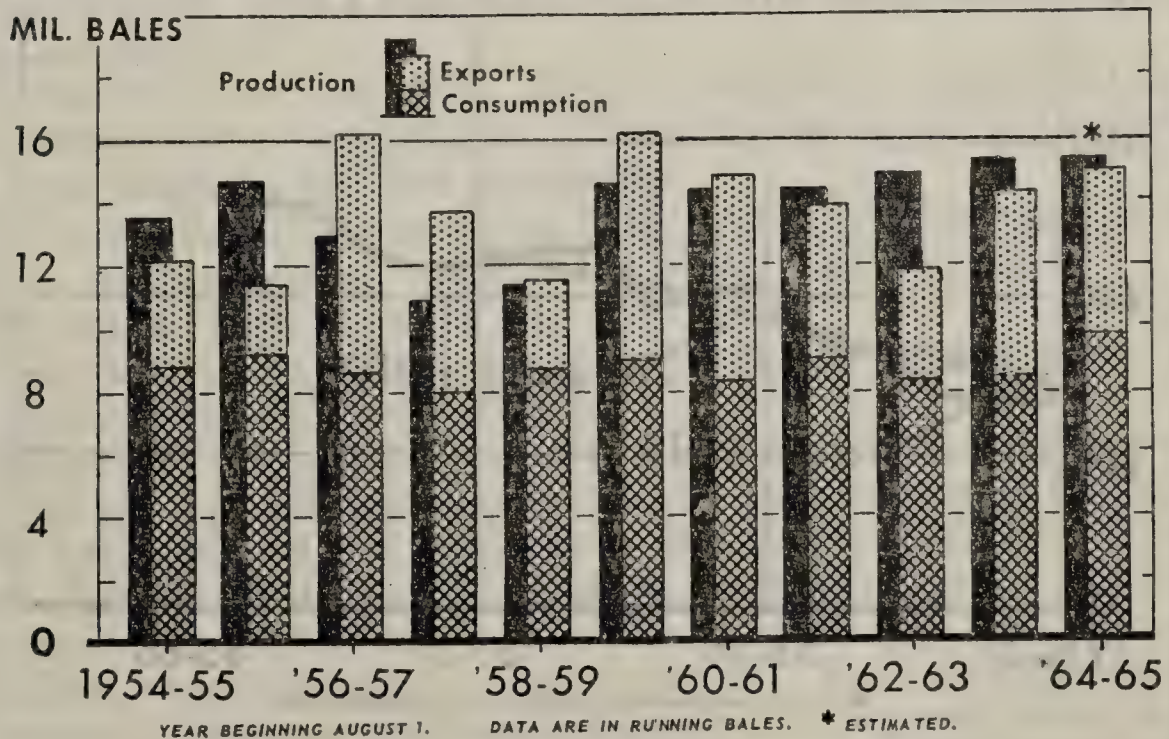


U. S. COTTON EXPORTS AND EXPORT PRICE, 1955-64



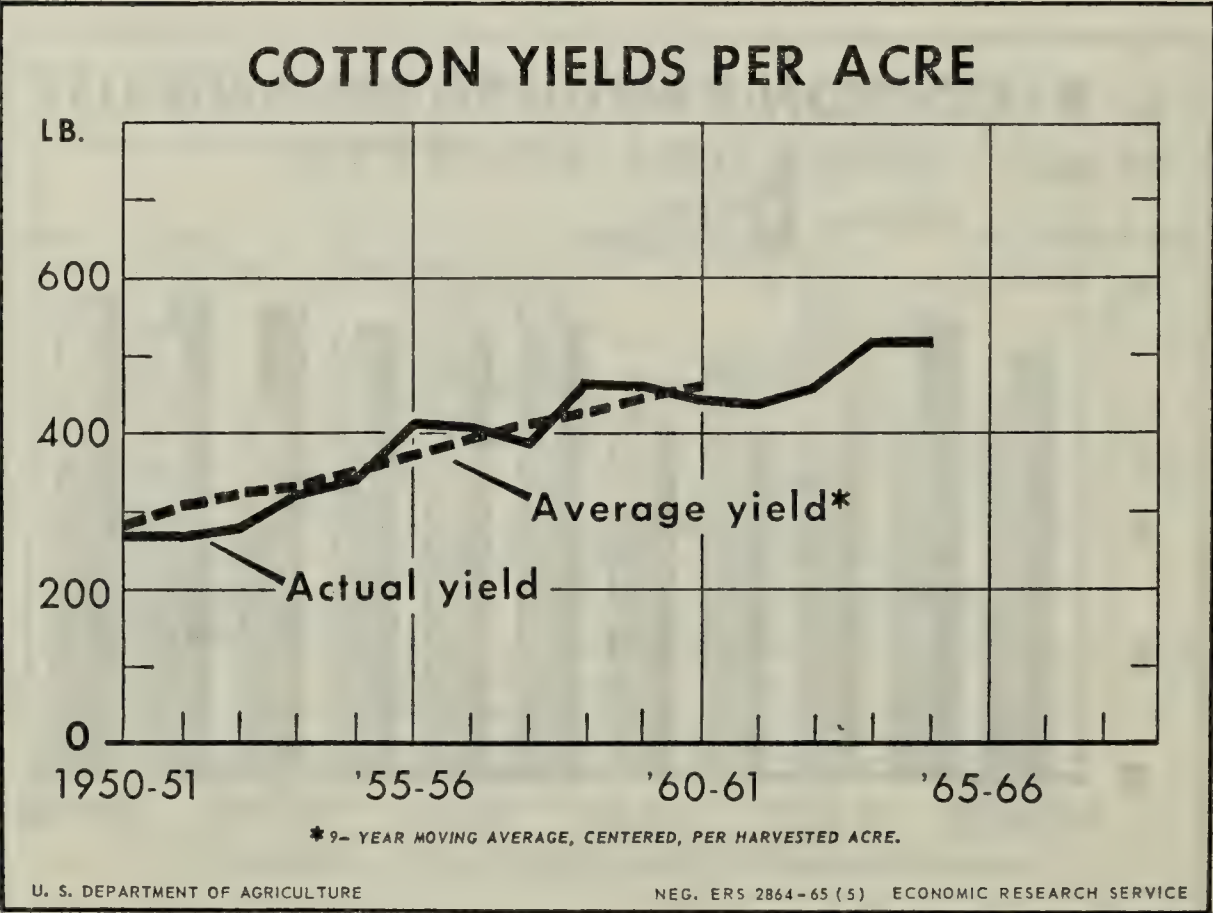
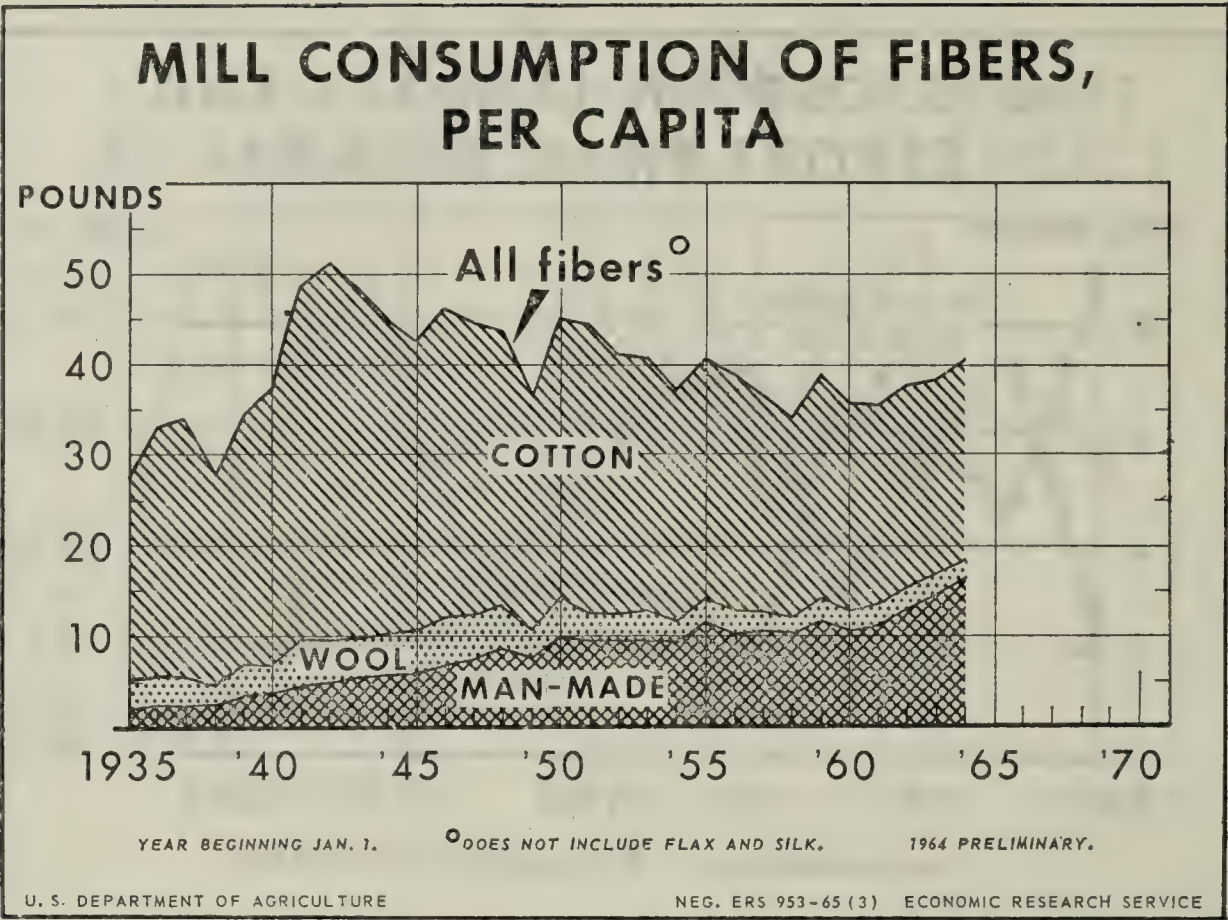
U. S. DEPARTMENT OF AGRICULTURE

U. S. COTTON PRODUCTION AND USE



U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 1991-64 (11) ECONOMIC RESEARCH SERVICE



The CHAIRMAN. Thank you, Mr. Secretary, for your statement and for the information that you have provided us.

I would like to ask you some questions. First, about skip-row planting—there is a great deal of controversy on that. I understand that the Secretary made a decision to change the rules and the regulations and the processes in regard to skip-row planting as we have had it in the past and that that would bring about a reduction in cotton.

Mr. MURPHY. Mr. Chairman, he has not made such a decision.

The CHAIRMAN. I understand that the Secretary made such a decision.

Mr. MURPHY. Last month the Department published a notice of a proposed change in the regulations to that effect and invited comments to be filed. A great many comments have been filed but the Secretary has not yet made a decision and does not expect to make one in the very near future. He feels that it is intimately related to the consideration of the legislation by the Congress and it is his intention to wait for some time to see what kind of progress is made with respect to this legislation and the direction in which it tends to move. I think it is just a fact that this is one of the important questions that relates to the volume of the production of cotton. Certainly the Department and I think equally certain the Congress cannot escape the necessity for looking at this question, along with the others that are involved in this problem.

The CHAIRMAN. The Secretary has not made any decision, you say, but the Secretary could submit the proposal in the Register?

Mr. MURPHY. That is right.

The CHAIRMAN. And I suppose that he could hear those who wanted to complain about it?

Mr. MURPHY. That is right. He has received a considerable number of comments on this subject. Certainly he is going to give most careful consideration to these comments.

The CHAIRMAN. The reasoning that prompted this change in the regulation was to reduce the excessive amount of cotton?

Mr. MURPHY. That is right.

The CHAIRMAN. In other words, by skip-row planting the cotton farmer can increase his per-acre yield?

Mr. MURPHY. That is right. By skip rowing, the per-acre yield in terms of acres of allotment is increased, approximately on the average—the best that we can determine—of about one-third. It varies. It is less than one-third in some places, depending on the type of soil and the moisture conditions and the like. In other places the increase is more than one-third per acre of allotment. It is also characteristic of the system that when you have acreage reduction programs in which the farmers participate and reduce their acreage allotments by participating in the program, they do not, of course, reduce the actual number of acres of land they have that they can devote to the planting of cotton. So this is sort of inviting them to spread out the cotton in skip-row planting. And because you do get increased yields per acre of allotment, that tends to defeat the purposes of the program to the extent that those purposes are to reduce production.

This process of skip-row planting has been expanding fairly rapidly. Almost certainly it will expand even more rapidly under the present

situation, that is, if the process is continued without any offsetting reduction in acreage allotments or a charge against acreage allotments. And the farmers who have not yet commenced that process as yet will be under considerable pressure to do it as a matter of self-defense to preserve their position with some terms of equality compared with the farmers who do use this.

The CHAIRMAN. But for the fact of the adjustment program, and with its tremendous carryover of cotton, it does increase the production?

Mr. MURPHY. It produces cotton usually of a better quality and that is certainly desirable. In many cases it produces cotton at a lower cost per pound. And that certainly is desirable. So if it were not for the question of volume—it is this question of volume that makes the problem so difficult and we have a very terribly difficult problem here with the production of cotton, with much more than we have been able to move either in export or in the domestic market and we have a carryover that has built up to a tremendous size and we have rapidly increasing average yields per acre and we have every indication that these yields are going to continue to increase, and so far as we have been able to determine there is no easy or painless way to meet this problem and get it under control. And we are just faced with the necessity of looking at a number of alternatives. And so far as I can see be had.

The CHAIRMAN. If the skip-row proposal is finally approved, how much would the cotton crop be reduced?

Mr. MURPHY. Oh, roughly 1 million bales a year would be reduced. It depends. We could give you an estimate for the 1965 crop and, if I recall, that is about 900,000 bales. Now, if we continue to permit skip-row planting on the present basis we would think that next year it would make a difference of more than 1 million bales.

The CHAIRMAN. If that proposal is approved and we reduce the crop by 1 million bales, do you think that it would justify a reduction in the acreage from 16 to 14 million acres.

Mr. MURPHY. You could justify reducing the statutory minimum to 14 million acres. As I pointed out in my statement there are other provisions in the law that relate to fixing the allotment which in 1966, according to our current estimates, would mean that the allotment would be about 14,500,000 acres, and that reduction in acreage allotment, plus the additional reduction in production that we might accomplish through changing the payment rates for participation in the domestic allotment program—making that participation somewhat more attractive—the reduction in production that we might get by making the payments to small farmers whether they plant cotton or not.

The CHAIRMAN. How much is that?

Mr. MURPHY. All of those things put together, according to our estimates, would not be enough to bring the cost of the program down and to achieve the kind of reduction in carryover that we think should be had.

The CHAIRMAN. In other words, you agree that there must be a drastic reduction in the production of cotton?

Mr. MURPHY. It seems to us that it must be drastic, whether it is achieved by one method or by a combination of methods. In any case it must be drastic.

The CHAIRMAN. The 14 million bales carryover—is that somewhat of a record or not?

Mr. MURPHY. It will be a record by the end of the 1966 crop year according to the estimates. It is not quite as high now as it has been at one time in the past. I think, Mr. Chairman, it might be appropriate to note in discussing the minimum allotment that 14 million acres of cotton now will produce more pounds of cotton than 16 million acres would have produced at the time that the 16-million-acre minimum was fixed in the law. And in terms of supply management and the balance between supply and demand, what you have to deal with finally is the pounds of cotton and not acres planted to cotton.

The CHAIRMAN. It has been stated that the fact is that we did not increase exports as we had hoped, in respect to the inequity that existed between the domestic and the export price.

What comment do you have to make about that? Why did we not increase the exports?

Mr. MURPHY. Well, I think, Mr. Chairman, that there was nothing inherent in doing away with the inequity that would tend to increase the exports. The principal purpose there was to put the domestic mills on a basis as good as the foreign mills. Our export price is about the same as it was last year. The reasons why our exports have not been what we had hoped for are very complicated and I think that the committee might well wish to go into that at some length, because this is one of the means of seeking relief that many people have turned to and that all of us would wish were readily and easily available. If you look at the trend of cotton production and cotton consumption in what we talk about as the foreign free world—and I have a chart on this in the back of the statement, by the way, that might be of interest to the committee—you will find that these two lines are coming closer together. The use of cotton in the foreign free world is going up and the production of cotton is also going up. Production is going up faster than use so that the gap is getting narrower all of the time. For that reason the question of how much of a market there is arises, and if you are going to increase this market—if you are going to make those lines spread out like this [indicating] instead of continuing to draw together it seems to me that you have two possibilities of doing it.

One is to increase the consumption of cotton faster. And the other is to do something that would result in a slower increase of the production of cotton in the foreign free world. This possibly can be done by a change in the price at which we export cotton. This is the kind of question that our experts have examined quite carefully, to see what it would take to separate these two trends. And this is where they begin to think about price, an export price or world price for cotton in the neighborhood of 17 cents a pound.

The CHAIRMAN. Public Law 480 was supposed to help to cure the situation, was it not? At least 45 percent of the exports have been under Public Law 480.

Mr. MURPHY. Not by Public Law 480—but by Public Law 480 and some credit programs in addition to that. Public Law 480 accounts

for about 1 million bales a year. I do not have the current figures in my mind, but it will be in the neighborhood of 1 million bales.

The CHAIRMAN. You say that it is shipped under Public Law 480—

Mr. MURPHY. And other credit programs.

The CHAIRMAN. And credit sales?

Mr. MURPHY. Yes. The Commodity Credit Corporation credit sales, barter, and Export-Import Bank programs.

The CHAIRMAN. What?

Mr. MURPHY. We have a credit sales program that is referred to here which is a line of credit that is made available through the Commodity Credit Corporation for commercial sales for periods up to 3 years. Ordinarily, the period is shorter than 3 years. It is usually 6 to 12 months.

The CHAIRMAN. We are advised that you do make them on long terms—and at low interest rates—you just do not do it quickly on a business transaction basis. You would never get rid of it, if you did.

Mr. MURPHY. Mr. Chairman, we have a rather wide range of programs on credit terms that are available. We believe, and I am sure that this committee and the Congress will always agree that full cash payment at the time of sale is the first choice. This is a pattern that we try to follow. If we can get cash at the time of sale, that is better than giving credit for 12 months. If we can make the sale with credit for 12 months, we think that is better than to make the sale with a credit for 36 months.

In either case, if we can get the full price in dollars with the commercial rate of interest we think that is better than selling for dollars with a concession at a low rate of interest. For instance, this Commodity Credit Corporation credit program is intended to meet the needs for something that is between the people that you can sell to for cash on the barrelhead and the people you have to sell to under the Public Law 480 program.

The CHAIRMAN. I am talking about such requirements as 5 years and the like. Why can you not give a loan for that length of time? We are throwing money around all over the world to many countries with maturity dates as high as 40 years and interest rates as low as 1 percent, and some less than 1 percent. Now, I realize that is a different situation, but here we are burdened down with a comparative abundance and yet we are making no headway, it seems to me—not enough headway—in disposing of this surplus.

Mr. MURPHY. I am not sure that I understand the question, Mr. Chairman, but I would say, again, that we would certainly feel that if we can sell the cotton and get paid for it in a year that is better than selling it and getting paid for it in 3 years. To be perfectly candid we proceed on that basis. If we make a sale and get paid for it in 1 year, instead of 2 years, we will do that.

The CHAIRMAN. I do not want to argue that with you. What I am talking about is that this committee authorized it and the Congress approved barter contracts for business across the sea, in order to secure other commodities. Why do you not sell it to legitimate business with long maturity dates and get it in the world market?

Mr. MURPHY. I suppose that to answer that, again, we feel that we must make the sales on the best terms that we can. If we were going

to displace a better sale by making a poorer sale, why, we would think that was improper business.

The CHAIRMAN. I do not want to argue about this. You cannot sell 14 million bales of cotton for cash—you cannot do that—you will have to give terms. And here is an example of a man who comes over and submits a contract to the Department. He has the bank guarantee of his country. You approve the bank guarantee. You approve the contract but yet you refuse to go through with the transaction. And I can think of one or two more.

Mr. MURPHY. I am not able to identify that particular transaction from your description.

The CHAIRMAN. With the best bank credit anywhere around in the world, and you have not gone through with one of those transactions in over 2 years.

Mr. MURPHY. It sounds to me, Mr. Chairman, as if you are talking about a so-called private entity transaction under Public Law 480 which is a different thing than the so-called Commodity Credit Corporation credit sales program.

The CHAIRMAN. We gave you the authority to do that.

Mr. MURPHY. We have done some, not a great deal, but we have done some.

The CHAIRMAN. You should use the law.

Mr. MURPHY. Secretary Freeman was very much personally interested in it at the time it was enacted and he has continued to keep rather close watch on it and I would say has continued to make sure that it was used in appropriate cases.

The CHAIRMAN. Let us get back to the facts about this.

Mr. MURPHY. Well, Mr. Chairman, I would not apologize for trying to be prudent about handling these very large Government funds that are involved.

The CHAIRMAN. We do not want you to be more prudent than you should be in regard to wheat and cotton and everything else. In fact, you might be better off if you were to give it away.

Mr. BELCHER. Will you yield?

The CHAIRMAN. Yes.

Mr. BELCHER. I appreciate the fact that you do use prudent methods down there, Mr. Secretary. I do not know about what has been said about this one particular set of facts, but I don't remember a time when the Department of Agriculture was too tight in this operation since I have been a member of this committee.

Mr. MURPHY. We usually find, Mr. Belcher, that some say that we are too tight, and some say that we are not tight enough.

Mr. BELCHER. I notice that under the Cooley bill the producer will get the payment. Does that change the policy of the administration? I thought that when we passed the bill before that you preferred paying it to some one person besides the producer.

Mr. MURPHY. No, sir. First let me say that under this bill—under the Cooley bill it is not made mandatory that the payment be made to the producer. All the bill would do in that respect is to strike out the prohibition in the present law that prohibits it from being made to the producer. As a practical operating matter it seems to us that if this change in the law is made, the payment will have to be

made, either to the producer or to the first handler—I guess that you would call the first person who purchases cotton from the producer—that is, at the time of the transaction is when you would make the payment to one party or the other. But to get back to the main part of your question about the policy of the administration. It has been, to the best of my recollection in the 4 years that I have worked in the Department, consistently the administration's position that the best kind of a program would be one where the payments are made to the producer, and when the law was enacted last year it was not because of the first choice of the administration, but it was because as a practical matter it seemed that was the kind of law that could be enacted and we thought that it was better than leaving the law as it was.

Mr. BELCHER. I noticed here that in your statement you say as the domestic consumption of cotton was increased by about 900,000 bales.

Mr. MURPHY. 900,000 bales.

Mr. BELCHER. 900,000 bales?

Mr. MURPHY. That is the annual rate.

Mr. BELCHER. Do you think that was brought about as a result of the operation of the present program?

Mr. MURPHY. Yes, sir.

Mr. BELCHER. I notice here that the reduction increased the cost by about \$305 million, is that correct?

Mr. MURPHY. That is the payment that would be made with respect to domestic consumption of 9.4 million bales, that is correct.

Mr. BELCHER. Then we spend \$305 million to increase the consumption of 900,000 bales, is that correct?

Mr. MURPHY. Well, I think that at the same time we should say that there are a good many other beneficial results that have come from those expenditures. I would have to confess shamefacedly, I guess, that we have not gotten as much by way of a reduction in consumer prices at the retail level as we had expected and, certainly, we had hoped for.

Mr. BELCHER. I know that we had quite an argument about that on the floor of the House and in this committee.

Mr. MURPHY. And we are not in a very good position to take up our argument where we left off, unfortunately. We do think that in all honesty there would have been some price increases, some price increases that have not occurred, if the 1964 law had not been passed. But that is not a very good side of an argument to take in this kind of a situation.

Mr. BELCHER. The only thing is that since I have been in Congress we would have a bill brought up which it is stated is going to cure things, and then a year or two later we have the very same kind of a statement made that the Secretary made this morning, that is, that if we continue the program that was going to cure it, that we will completely wreck things. Well, I have been here for 14 years. And I have yet to find one program that we said a year and a half ago was going to cure it that was just as good a program as it was at the time that we passed it, a year and a half later. We have not run across those. I am not talking about you as an individual. I am talking about when these programs are brought up here that almost the same speech is made every time that with this program now it will reduce the cost

to the Government—it will increase the consumption—and it is not going to cost the consumer any more. I have always said that to me it would be a good thing if we could ever accomplish this. But about 18 months or 2 years later we come in and say, “well, that program is not working, and if we do not do something about it right away we are going to be in a terrible situation,” just like we are going to be in this particular situation.

If we go ahead and pass the Cooley bill 18 months or 2 years from now I am afraid that we will be told that we are in worse shape than when we passed the Cooley bill.

Mr. MURPHY. I would think, Mr. Belcher, that if you passed the Cooley bill that 2 years from now, in all likelihood, you will need to modify the program again. If you do not pass it or some other bill I think that you will be in considerably worse fix. If you pass nothing, I think that you will be in a considerably worse fix than if you passed the Cooley bill. If you reduce the minimum acreage allotment to 14 million acres, I think that the chances are that you can get by for the next 2 years.

Mr. BELCHER. About the only difference is that at the time that we come in like this we say, “we are in a heck of a shape now and we would have been in a hell of a shape if we had not had it.” [Laughter.] So there is no way to defeat that kind of an argument. You have to say that maybe we would have been—we would have been in this kind of shape. Of course, the object, as I see it, is to increase the consumption in this country all ways and to compete with other textiles. Of course, it has no effect whatsoever, as you said, on the export program, because it does not change that. We were sold on the story that the local mills should be able to buy this cotton at the same price that the mill in Japan can buy it for. That is the problem. And that is their program. And even though they could, why we would only increase the consumption about 900,000 bales at cost \$305 million. And I have not figured that up. If we had not produced those 900,000 bales, do you think that the consumption would have been the same or otherwise? Would it have been 13,900,000 carryover or 14,900,000 carryover? That would have made a difference of about 8 or 9 percent—that is would have increased the consumption?

Mr. MURPHY. I think that since we must deal with some hypothetical questions here, we will, also, have to consider the possibility that instead of getting this increase of 900,000 bales if no law had been passed, we might very well have gotten a decrease in the use of cotton, domestically. We have this competition from manmade fibers. It is very serious Mr. Belcher. I would have to say that I think that there is a basic outlook for cotton which is a very difficult problem to try to deal with.

Mr. BELCHER. I, certainly, agree with you. I most certainly do not claim to have the answers, but I have been listening to the people every year who did have the answers, and then we find out later that they do not have them.

Mr. MURPHY. Speaking for myself, I am sure that I am not as smart as you are—I would reiterate, though, that we have said fairly consistently that our first choice was the other kind of program with the payments to the producers and a low-loan level.

Mr. BELCHER. Is it the attitude that the Department tries to make or have a limit on the 25 percent to the producers—I notice that the Department advocates putting a limit on the producer, that is, on the payments that the producer can receive.

Mr. MURPHY. I do not think so. I know that I would not personally. But so far as I know, the Department has no official position on this. I would be surprised if the Department advocated that.

Mr. BELCHER. I have not seen where they did. I just wondered about it. You do go along with the additional 25 percent bonus for the small producer, is that correct?

Mr. MURPHY. In the case of which program? Which commodity?

Mr. BELCHER. As I understood, under Mr. Cooley's bill.

Mr. MURPHY. There is a payment up to 25 percent of the basic support price for the domestic allotment program and that applies to the large producer as well as to the small producer. It does apply to the small producer in a somewhat different and more generous way. We do support that; yes, sir.

Mr. BELCHER. In other words, I have not thoroughly studied the Cooley bill, but my understanding is that the small producer will get a greater benefit than the larger producer under the Cooley bill.

Mr. MURPHY. That is correct. This payment which can be up to 25 percent—it might be something less—is made to the producer who participates in the domestic allotment program. Now the big producer has to cut his acreage to get it. The small producer gets this without any cuts in acreage. The big producer has a cut in acreage. This gives the small producer an advantage and we do support that kind of a provision.

Mr. BELCHER. I will not take any more time. Thank you.

The CHAIRMAN. Mr. Belcher has been on the committee, as he said, for 14 years. And I do not think that he has come up with any answers, either.

Mr. BELCHER. I said that I was not as smart as the others.

Mr. MURPHY. We are all dealing here with an industry in which we have probably had as great a technological revolution as in any other and it is still going fast and it is real hard to keep up with it.

The CHAIRMAN. On January 1 of 1953 we had a profit of \$268 million in the cotton program and we did not have any carryover.

Mr. MURPHY. You were coming out of the Korean war where there had been a great demand for cotton at a relatively high price throughout the world.

The CHAIRMAN. Mr. Poage. Maybe he can give us the answers.

Mr. POAGE. I want to commend the Secretary and the chairman for bringing this legislation before us. It will bring the payments nearer to where they should be, to the producer, rather than to somebody else. I think that the producer is the man that we are basically trying to help with our farm programs. I think that would be reason enough. I have never seen much justification for spending the money that we have been spending with somebody who is in the warehouse business or in some auxiliary capacity which is not putting anything in the farmers hands.

But more important than that I think that only by making payments direct to the farmers can I see how we are going to move

cotton into the world market freely. Only by providing as you have suggested in this bill that we put the loan down to the world price level and pay the farmer the difference in a direct adjustment, are you going to let that cotton move freely. So I think that this is a forward step. I do not think that it will solve the cotton problem. I agree with the Secretary that 2 years from now we will need additional legislation or a change in the legislation, but this is a whole lot better than making payments to buyers or to mills as we have been doing.

The next thing that you propose to do is to reduce the minimum national acreage allotment by 2 million acres. Of course, nobody likes to do that. Everybody wants to get a high price and to grow more cotton. I do not blame people for that. But we cannot have our cake and eat it too. But I do think, Mr. Secretary, that we can and should give cotton as favorable treatment as we have given other basic commodities.

Just last night the subcommittee reported out a feed grain bill. We propose to voluntarily limit the production of feed grains and do it without any quotas. We do not have any quotas in feed grains. On the other hand, you know that you cannot grow more than 16 million acres of cotton.

We once planted 43 million acres of cotton. Cotton farmers have already taken a larger percentage cut in acreage than have growers of any other crop. And they have done it without any land retirement payments.

And now, might we not, Mr. Secretary, when we talk about future reductions—I believe that we have to have them—might we not talk of a voluntary retirement program? We have to cut back our production, else the law of supply and demand will work against us if we have a greater supply than we have demand. We cannot repeal that law—but can we not apply to cotton the same voluntary treatment that we have given to feed grains and to wheat and to other commodities?

We say to the farmers, “We want you to grow less acres of corn, and we will pay you to do so.” It is true that the Feed Grain Subcommittee limited the amount of payment that could be made. The Secretary suggested that we have no limit on payments to retire feed grain acreage. We said under no circumstances should we pay more than one-half of the normal yield on the land that you are going to take out.

Now, would it not be fair to do with cotton the same thing—to say to the cotton growers, “You have already been cut to 16 million acres. We will pay you nothing for what you have done in the past, but starting where you stand now we want 2 million acres out and we will pay you exactly the same rate that we pay the corn people, that we propose to pay the wheat people. We will pay you the same rate under the same conditions and the same circumstances.” Can you find any objection to that?

Mr. MURPHY. Mr. Poage, Monday night in a very reliable publication I read that you were thinking of something along these lines. And that got me started thinking about it. I thought about it almost all night long. I would have to say at the present time that it has

not been staffed out, but tentatively it seems to me that it would not only be fair, but it might very well be the best kind of a program.

The CHAIRMAN. You think so.

Mr. POAGE. Thank you. I think I had better quit talking while you are agreeing with me.

Mr. MURPHY. We have to try to look at the numbers and at the results of these things as best we can with our staff work down there. While we have done a little staff work on such a program the last day or two, we have not done enough for me to say that there is any assurance of how we think it would turn out, but it certainly seems to me that it ought to be very carefully and sympathetically examined as one possibility in this situation.

The CHAIRMAN. Mr. Gathings.

Mr. GATHINGS. Mr. Secretary, it has been a real delight for me to work with you in the past few years.

Mr. MURPHY. Thank you.

Mr. GATHINGS. As Under Secretary of Agriculture, I regret exceedingly that you are going into another job.

Mr. MURPHY. You are very kind.

Mr. GATHINGS. Now the Agricultural Act of 1964 had to do with cotton. We set out to do three things. It, apparently, accomplished those three objectives, has it not. It set out to consume more cotton domestically?

Mr. MURPHY. That has been done.

Mr. GATHINGS. That has been accomplished. It set out to slow down the influx into this country of cotton textile imports.

Mr. MURPHY. No, sir. I understand that cotton textile imports are at about the same level now as they were.

Mr. GATHINGS. But they had been shooting up tremendously—the line had been going up pretty fast in recent years—up until the passage last year of the 1964 act. It has stabilized the employment in our domestic mills. The act set out to maintain farm income which it has done.

Mr. MURPHY. It has been better than that. I think it has increased. There have been one or more fairly substantial wage increases in the textile mills since the act was passed.

The CHAIRMAN. And full employment. That has gone up.

Mr. MURPHY. I understand that, generally speaking, that is true.

Mr. GATHINGS. That is a good thing. We find that the mills are our best customers.

Now, Mr. Secretary, I want to ask you what would be the saving in your estimation of cutting the loan support to 29 cents a pound?

Mr. MURPHY. I believe under the present kind of a program, Mr. Gathings, that you can figure \$5 a bale and that is a cent a pound—\$5 a bale, on 15 million bales, \$75 million.

Mr. GATHINGS. That's quite a saving.

Mr. MURPHY. Yes, sir.

Mr. GATHINGS. Do you not think that if the cotton farmers had the information that the loan support had been cut down to 29 cents, that there would have been a larger participation in the 1965 program?

Mr. MURPHY. I think that they did have that information. I think the support price for the 1965 crop was announced before the signup

for participation under the domestic allotment program, as well as I can recall. I have not checked it lately.

Mr. GATHINGS. But the farmer in many instances had made his plans largely on the assumption that he was going to get about the same price for his cotton in 1965 that he got in 1964.

Mr. MURPHY. I do not know, sir. It seems to me that in these days an announcement of this importance to the cotton farmer, that he should have been aware of what the price-support level would be for 1965.

Mr. GATHINGS. About 1 million acres under the 1965 program came out?

Mr. MURPHY. Sir?

Mr. GATHINGS. One million acre reduction has resulted.

Mr. MURPHY. The domestic allotment program for 1965 has had 1 million acres reduction signed up—just a fraction over 1 million, that is right.

Mr. GATHINGS. Do you think that could have been increased if the inducement was there in 1966-67 for the 2-year additional program?

Mr. MURPHY. It could not be increased much with the present payment rates. If the same rates were continued I do not know that we would expect any substantial increase above the participation this year. But if you altered the payment rates, then you would get additional participation.

Mr. GATHINGS. The biggest fault with the 1964 Cotton Act was that it was not a 4- or 5-year program at its inception. Do you agree with that?

Mr. MURPHY. Well, it would have been better if it could have been a program for a longer term, certainly. This was a matter that was at some point in the passage of the bill by the Congress, considered at length. I think that when it left this committee it was for a period longer than 2 years. That is my recollection.

Mr. GATHINGS. Yes, sir. It was a 4-year period. It was cut back to 2 years and it has been most detrimental to the cotton industry all along. It made it difficult to make plans. It was a problem for the mills, and the people who buy these goods. It takes time to do all of this.

Mr. Secretary, in the period 1911 to 1912, the U.S. production of cotton was 15,656,000 bales. The exports were 10,401,000 bales. The foreign production was 7,011,000 bales.

In 1926-27, the U.S. production had gone up to 18,152,000 bales; the exports were 10,963,000; and the foreign production was 9,703,000.

Then we go along here to 1944-45 and the U.S. production was only 11,994,000 bales; the exports were 2,007,000 bales; and the foreign production ran up from 9,973,000 to 11,633,000.

Then in 1956-57 the U.S. production was 13,049,000 bales; the exports had jumped up to 7,593,000 bales; and the foreign production was 26,917,000.

It shows right there that every time the umbrella was raised over these folks who grow cotton overseas that they increased their plantings.

Now 7,593,000 bales were exported in 1956-57, in that fiscal year.

That was soon after the Department entered into a sales program to move cotton. And under that program you sold 1 million bales of cotton in about 30 days, as I recall. Is that not right?

Mr. MURPHY. I am told that this is right. I do not recall it because I was not there at the time.

Mr. GATHINGS. We saw that 1 million bales moved rather hurriedly. Now there has been a dropoff in recent years, since 1956-57. Let us look at 1964-65; 15,200,000 bales. And the Government sold 4,500,000 bales in export. Is that about right?

Mr. MURPHY. For this year 41½ million.

Mr. GATHINGS. The current estimate of the trade is under that—the current estimate is around 31½ million bales.

Mr. MURPHY. Well, we believe the trade is wrong and we are about right. I might say, Mr. Gathings, that we have something more than my assertions to base this on. If you would like to inquire into it, one of my colleagues will be glad to explain in detail why we believe that our estimate of 41½ million bales is about right.

Mr. GATHINGS. Do you not think that it would be desirable to have a cotton-sales manager in the Department who is a seasoned cotton man with many years experience who knows how to sell cotton to move this cotton into export channels? Do you not think that if we had such a man we could get results in moving this cotton into export?

Mr. MURPHY. I do not know, Mr. Gathings. I have been inclined to believe and still believe that we should rely on the normal channels of trade as the law directs us to do and use our cotton merchants and exporters and depend on them to sell the cotton for us abroad. I think that there is a great deal to be said for continuing this kind of a system as distinguished from going to a system where the Government would get more directly into the selling processes. We are tempted from time to time to go this other way, but I would not say that I think it is the thing to do.

The CHAIRMAN. May I interrupt?

Mr. GATHINGS. Yes.

The CHAIRMAN. I do not think that Mr. Gathings has said to turn it over to one man, to be one salesman for the whole world, but for someone to direct the program.

Mr. MURPHY. I think this is a very heavy responsibility that rests now on the Secretary of Agriculture. I can only say that if I were the Secretary of Agriculture that I would not want to turn this responsibility to any general sales manager. If the Congress wanted someone to do that I would ask that he be taken out of the Department of Agriculture.

The CHAIRMAN. Do you not have a sales manager?

Mr. MURPHY. We have a sales manager.

The CHAIRMAN. That is fine—that is fine. Let him have this job, too.

Mr. MURPHY. If I understand the question—I am not sure that I do—this is a man who would take charge and take the business away from the Secretary of Agriculture. I would not want any man if I were the Secretary of Agriculture—I would not want any other man in the Department who was running it. I would want to run the sales business myself.

Mr. GATHINGS. That is not it at all. He would be under the direction of the Secretary of Agriculture to work under his direction. At the same time, I would have in mind a man who comes from the type of business who has been handling cotton for many years and who could step in there and make this thing click.

Mr. MURPHY. If you are talking about some one who would work under the direction of the Secretary of Agriculture, as his adviser and assistant and staff man, why then I would only say that as much as I admire some of the people I have met in private industry I do not believe that I would swap the people in the Department now for any that I have seen outside for this purpose.

The CHAIRMAN. What does the Secretary of Agriculture know about selling cotton in the world market. He is not a salesman.

Mr. MURPHY. I thought that we just agreed that the people we would rely on to sell our cotton in the world market would be the shippers. We are now talking about someone in the Department who is going to set the terms and the conditions on which the Department is going to offer cotton for sale. We have heard a lot about what happened in 1955-56. One of the things that happened when you sold this 7 million bales of cotton was that you reduced the price of the cotton in the world about, as I recall it, 8 cents. The price of cotton—the world price of cotton is 10 cents a pound lower now than it was 10 years ago. I take it that anybody, whether he comes from the cotton trade or any other place can, probably, increase our exports of cotton again if you will lower the price another 10 cents. This will get it down to about 14 cents a pound. But I do not think that anybody, magician or otherwise, can do a great deal by way of increasing our exports of cotton unless somebody is going to pick up the check. If the Government is going to pick up the check, that is one question. If the farmer is going to pick up the check, this is a different thing. If you change the program so that changes in the world prices are reflected directly in what the farmer gets—so that if the world price goes down to 17 cents the farmer gets 17 cents for the cotton that he grows for export—you would not have any more trouble with the mechanics of this system. On the other hand, if you want a system where the Government is going to pick up the cost I do not think that you are going to find any mechanics that will result in the exporting of more cotton without the price going down. And the question of whether or not the Government is going to be willing to put in another \$250 million or another \$500 million to sell 6 or 7 million bales of cotton will not be decided anywhere short of the Executive Office, in my judgment, not even by a sales manager or the Secretary of Agriculture. The Congress, of course, could decide it.

The CHAIRMAN. You reduced the price for this year for export by how much?

Mr. MURPHY. We did not reduce the price this year. It is just about the same as it was last year.

The CHAIRMAN. You reduced the loan.

Mr. MURPHY. We reduced the loan and the equalization payments. We have, incidentally, a very detailed set of tables attached to my statement about what the price has been from month to month during a period of years. And the figure that I think most closely reflects the export price is the spot market price minus the PIK rate where

we had an export subsidy. If you will look at that you will find that the price is about the same that it was last year. There is a little difference in the seasonal pattern. The reason for that is that last year we sold for export. We did not have any requirement to make cotton available at the same price for the domestic use. And we sold for a flat price all season for export. That is, we did not add anything to our price to reflect the carrying costs during the year. When we undertook to set the terms for this year's program and to administer it we, of course, had the new requirement in the law that we had to do at least as much for the domestic users as we did for export. This, in turn, gave us a problem were we going to add anything for carrying charges or not. Unless we did, unless we let people know that that is what we expected to do, then we thought it most likely that the people would not buy the new crop of cotton because the Government would carry it for them free. So they just would wait until they needed it later on and they would get it. We announced that it was our expectation to add something reflecting the carrying costs as the year went on. This has resulted in a little difference in the pattern for last year, but the net price is about the same.

Mr. GATHINGS. Seven and one-half million bales did move in 1956-57 as a result of pushing these sales. Today you have the cotton on hand, and the storage rates are higher and day by day they are costing the taxpayers money. If we would move it out it would reduce the costs.

Mr. MURPHY. I just do not think that you can look at this part of it unless you at the same time look at the question of what volume of cotton is going to be produced during the time you are moving the cotton out of inventory and what will happen to the new crop of cotton.

Mr. GATHINGS. Before I stop, I would just like to ask about this loan program. I was over to the Department last week, to attend the ceremony over there in the theater.

Mr. MURPHY. I was very, very happy to see you there.

Mr. GATHINGS. I enjoyed it very much. I noticed that you honored Mr. McLachlan who has been doing a magnificent job at New Orleans on the program.

Mr. MURPHY. Yes.

Mr. GATHINGS. And he deserved that recognition wholeheartedly without a doubt.

Mr. MURPHY. Yes.

Mr. GATHINGS. That program has worked mighty well in the past. It has been for the benefit of the farmer. He brings his cotton to the gin, he gins it, and the ginner picks up the cotton and takes it to the compress. He gets a receipt there, a warehouse receipt. He goes to the closing office and gets his class card. And that makes money available to the farmer speedily. The next time he brings in a bale of cotton to the gin he gets the money. That is the way he wants it. He wants it to pay off his hands—pay off his creditors—to pay his debts—to have money with which to operate.

You want to change that system which has worked so well for the small farmer and all types of farmers, too, and to tell that farmer that he will have to go to the county committee to get his loan on this cotton. Just how far has such a change gone? Back in April some

feelers were put out by the Department that you wanted to change that program.

Mr. MURPHY. Mr. Gathings, I do not know enough about this to explain it very intelligently. I will be glad if Mr. Godfrey could respond to this.

Mr. GATHINGS. Yes, Mr. Godfrey.

Mr. GODFREY. I would be delighted to respond to it, Mr. Gathings, because the changes were initiated in the Department and passed upon by the Board of Directors of the Commodity Credit Corporation.

Basically, the loan program is authorized by Congress for farmers, not for ginner, not for merchants, and not for bankers. It provides for loans to be made to farmers on cotton produced by the farmers; that is, on eligible cotton produced by the farmers.

Mr. GATHINGS. That is the man that I speak for right here.

Mr. GODFREY. This is the one I am speaking for.

Mr. GATHINGS. That is the system that in 1964 and years earlier was in effect.

Mr. GODFREY. This is the one that I am speaking for, also, the one that I have represented for better than 31 years in devoting my entire life work in agriculture.

This man, though, who is a farmer can now get an advance from the ginner if he wants to do so, just as he has in the past. There has been no change in that. But we are making a change to be sure that the farmer knows that the cotton is under loan and that a loan has been made on such cotton. If the ginner wants to assume the responsibility for determining that that cotton is eligible cotton for CCC loan, he may assume this responsibility and he may advance the money to the farmer. The farmer may sign the loan paper in the presence of the ginner to provide for the proceeds of the loan going to the ginner. The ginner can turn this in to the bank and get his money that day or he can turn it in to the county office and get his money that day. This is about the same thing he has been doing in the past.

Mr. GATHINGS. It could be handled through a cooperative association without any problem.

Mr. GODFREY. The same way as it has been.

Mr. GATHINGS. One out of every four bales goes to the cooperative, do they not?

Mr. GODFREY. A little more than that, yes, sir.

Mr. GATHINGS. Maybe a little more.

Mr. GODFREY. But the change has been made so that we can give better service to the farmer. Under the old program the warehouse receipt and the loan paper were mailed to New Orleans regardless of where the cotton was produced and it was checked in at New Orleans to determine eligibility. It was checked in at New Orleans to see whether the loan papers had been executed properly. And the warehouse receipts were retained in New Orleans. If a producer or purchaser of the producer's equity wanted to redeem the cotton it took him from 3 to 6 weeks to get the warehouse receipts back.

Mr. GATHINGS. You have to go through the county ASC office within the county in order to get a loan?

Mr. GODFREY. No, sir.

Mr. GATHINGS. How can he do it?

Mr. GODFREY. He can get his loan advanced from ginner, from the warehouseman, from the banker—anybody who wants to give it to him.

Mr. GATHINGS. The banker who has been handling considerable cotton says that he likes the old system.

Mr. GODFREY. Sure, I imagine that he does—I imagine that he does; yes, sir.

Mr. GATHINGS. And you are going to change it?

Mr. GODFREY. We think it does need a change, because we have to determine the eligibility of the cotton. We think it is a loan program designed for farmers. We have found—if you want to know the truth about it—we have found many, many instances where the cotton was delivered to the warehouse, the loan paper was signed in blank at the time that the cotton was ginned, and the farmer was advanced the money. Then a class card came back 3 or 4 days later. If it was advantageous to the merchant or the ginner, whoever advanced the money, to put the cotton under loan, it was placed under loan. If it was advantageous for him to move it through the channels of trade he moved it through the channels of trade. This is not what the loan program was created for, according to the intent of Congress.

Mr. GATHINGS. How many years has the system been working?

Mr. GODFREY. It has worked both ways in the past, Mr. Gathings.

For farm storage loans on cotton, the county offices operated the program many years. In 1952, county offices also operated the so-called form A loan program. Beginning with the 1962 crop, we have given county offices more and more responsibility in connection with the loan program.

If I recall correctly, they operated the loan program in its entirety until 1954—from 1938 to 1954.

Mr. GATHINGS. From 1954 up to date it has been otherwise?

Mr. GODFREY. We have made it available both ways. He could have gotten his loan in the county office last year. In fact, county offices disbursed loans to producers on about 135,000 bales produced in 1964.

Mr. GATHINGS. How many added personnel do you estimate will be placed in each county office in the Cotton Belt?

Mr. GODFREY. We expect to reduce the total number of personnel as was evident by the committee report which will be debated on the floor of the House this morning. The ASCS has been reduced 191 man-years. We will not have to hire the people in New Orleans to check the loan papers. We believe that we can do the work in the county office without adding additional personnel from an overall standpoint.

Mr. GATHINGS. No additional employees whatever will be required at the county office?

Mr. GODFREY. We do not expect to add any in total for ASCS; no, sir.

Mr. GATHINGS. That is all. Thank you.

Mr. TEAGUE of California. I do have a question if you will yield.

The CHAIRMAN. Mr. Abernethy was recognized.

Mr. ABERNETHY. Mr. Secretary, is it not a fact that the Congress and the Department as well as the farmer are faced with their dilemma, that unless something is done with the present law the program cost will increase by virtue of the fact that we will go back to the 1958 act and again be under the two-price system?

Mr. MURPHY. We would go back to a two-price system.

Mr. ABERNETHY. That is the 1958 act?

Mr. MURPHY. That is the 1958 act. On the question of costs we would estimate that the cost would be roughly the same. It would be in the range of \$700 to \$800 million.

Mr. ABERNETHY. Do you anticipate that making the payments directly to the farmer would reduce the cost of the program?

Mr. MURPHY. At any given level of farm income for a particular year, for a 1-year program you can arrange your payments in the program so that it will cost about the same amount, whether you make payments directly to the farmers or not. So my answer is that in the short run I think making the payments directly to the farmer makes little or no difference, but in the long run I think that it might reduce costs and is a much more hopeful solution of the longrun problem.

Mr. ABERNETHY. The primary objective is to reduce the costs.

Mr. MURPHY. The short-range objective, I would say, I would hope that we could keep the long-range objective in front of us at the same time.

Mr. ABERNETHY. But the principal objective at the moment is to reduce program costs.

Mr. MURPHY. That is right. That is a very necessary thing.

Mr. ABERNETHY. As the Secretary knows, direct payments are highly objectionable to a tremendous segment of the producing farmers. Does he know that?

Mr. MURPHY. That is right.

Mr. ABERNETHY. Then if such will not reduce costs and if it will not increase consumption and if the program is intended for the benefit of the farmers as your associate just said, why force this objectionable feature upon them?

Mr. MURPHY. We are not proposing to force this objectionable feature on anyone.

Mr. ABERNETHY. I know that but you endorse it.

Mr. MURPHY. We have said—and I will say again—that we feel that the better solution would be one where you had a low loan rate so that cotton could move more freely into the trade channels and——

Mr. ABERNETHY. But you just said that it would not.

Mr. MURPHY. But if we cannot get that kind of a solution, then, well, if I may use the vernacular, we will go along with something else provided it accomplishes the necessary thing.

Mr. ABERNETHY. We can go along with it if it increases consumption—I say that I can go along with it—I say it would be more palatable, more acceptable if it increased consumption, reduced the costs, or both, but it does not do either—and you said that it would not. It is highly objectionable to a tremendous segment of the industry, why force it upon them?

The CHAIRMAN. Will you yield?

Mr. ABERNETHY. Yes.

The CHAIRMAN. Off the record.

(Discussion off the record.)

Mr. ABERNETHY. I do not know, but I would just say for the record that I think they probably will accept it, but I know that such is objectionable. That was the big fight that we had last year—to whom the payments were to be made.

Mr. MURPHY. I remember it very well.

Mr. ABERNETHY. Farmers objected to direct payments, did they not?

Mr. MURPHY. They certainly did.

Mr. ABERNETHY. Now, why is it that the trade did not reduce the price to the consumer to any appreciable extent—they got a reduction in cost of the cotton.

Mr. MURPHY. I think that the basic reason is that they could sell without reducing the price. That is just the way our system operates. That, generally speaking, if he can sell it for a high price instead of a low price he will take the high price. There are some textile manufacturers who just after the law was passed deliberately lowered some of their prices very quickly. The market response or the market condition has been so booming since then that there is a tendency to drive these prices back up again. Some textile prices are down. Yarns are, I believe, down. But there is not very much that has been passed through to the retail consumer level.

Mr. ABERNETHY. Mr. Gathings suggested that a reduction in acreage has always been followed by an expansion of production abroad. Do you agree with that?

Mr. MURPHY. No, sir, not always. We have looked at the pattern of the acreage abroad. It seems to us that the general pattern is that acreage abroad increases no matter what you do. If you will look at the last 10 years or so you will find that generally the acreage abroad has increased. The biggest increase in any single year was the year when we also were increasing acreage allotments in the United States.

Mr. ABERNETHY. The foreign producer would welcome a reduction of American acreage, would he not?

Mr. MURPHY. I think they are more interested in the number of pounds that we produce than in the number of acres we have. They would welcome a reduction in acreage. They would welcome even more a reduction in pounds.

Mr. ABERNETHY. That is what a reduction in acreage means, does it not?

Mr. MURPHY. No, sir. Unfortunately, we have had reductions in acres the last 2 or 3 years but no reduction in production. I should not say "unfortunately." It is just a fact.

Mr. ABERNETHY. Do you think that farm producers would welcome a reduction of acreage?

Mr. MURPHY. I think they would.

Mr. ABERNETHY. If we reduced acreage, would that mean the small farmer's acreage would be reduced so that he would be cut below his 10-acre minimum?

Mr. MURPHY. I would have to ask Mr. Godfrey to answer that.

Mr. GODFREY. We have not exactly a 10-acre minimum, but a provision which was included in the 1958 act which says that any farm that had an allotment of 10 acres or less would not be reduced.

Mr. ABERNETHY. That is right. That would not be affected. That would not be affected by this legislation?

Mr. GODFREY. Not unless you add some wording to do that.

Mr. ABERNETHY. I would touch on one other point and then I will be through. As to the skip-row planting, does the Department regard that as legal?

Mr. MURPHY. Yes, sir.

Mr. ABERNETHY. It is legal?

Mr. MURPHY. Sure.

Mr. ABERNETHY. Then if it is legal—and my question is not to be interpreted as either approving or disapproving of such planting—I do not approve of it, because I think that the farmer who can skip-row has an advantage over the farmer who cannot and it increases the production and places the increased production as a burden upon all farmers. But, if it is legal how can you stop it?

Mr. MURPHY. The Secretary has the responsibility and the authority to prescribe regulations.

Mr. ABERNETHY. To wipe that out?

Mr. MURPHY. By means of regulations.

Mr. ABERNETHY. To wipe such out of the law?

Mr. MURPHY. He can do it.

Mr. ABERNETHY. Within the law?

Mr. MURPHY. Within the law.

Mr. ABERNETHY. How can he modify or repeal the law?

Mr. MURPHY. Well, I think by regulation he can prohibit many, many things which would be perfectly legal if his regulations were written in a different way. I do not see anything strange about this at all. The Secretary has the authority to say in regulations that it shall be done one way or the other.

Mr. ABERNETHY. Does the law contemplate that a man can plant—

Mr. MURPHY. Incidentally, I would like to say that the proposal was not to make this illegal in any case. It was merely to affect how fast it would use up the acreage allotment.

Mr. ABERNETHY. It would be the equivalent of that, because if he adopted that policy and planted it under the old skip-row policy it would be perfectly legal—you have already said that.

Mr. MURPHY. It would be perfectly legal and in accordance with the regulations. If the regulations are changed so it is not in accordance with the regulations that would be a different thing.

Mr. ABERNETHY. I have some doubt about it. If the object of the cotton law was to cut the acreage, to control production—I do not think you can modify or repeal any part of it by regulation.

Mr. MURPHY. As to its legality, I am confident that the regulations permitting it were cleared by our general counsel before they were promulgated. We just pass the buck to him on the question of legality.

Mr. ABERNETHY. I yield to the gentleman from California.

Mr. TEAGUE of California. Mr. Secretary, I am not at all sure that I understand the proposal regarding the farmers with allotments of 15 acres or less. It was suggested that these people would be paid for that which they have been using—whether they planted it or not.

Mr. MURPHY. Not at 29 or 30 cents a pound, but the payment that I referred to is the so-called domestic allotment payment. We are talking about something that is 7 cents a pound or less.

The CHAIRMAN. 5.5; is it not?

Mr. MURPHY. Well, the rate for 1965's program is 4.45 cents. That is the payment we are talking about.

Mr. TEAGUE of California. Based upon the history of what they had been producing?

Mr. MURPHY. Based on their history. They have a domestic allotment which is based on their past history. At the present time under the present program, if they plant the domestic allotment to cotton and produce it, they get this payment in addition to what they get in the marketplace. Under this proposal they will get this payment whether they plant the acreage to cotton or not.

Mr. TEAGUE of California. Do you have any idea what the total cost would be? It would depend, of course, on how many choose not to plant.

Mr. MURPHY. It would be—it would reduce the cost of the program in an amount estimated at about \$60 million. You see, if they produce the cotton they not only get this payment, but we have to do something with the cotton. It costs lots of money to do something with the cotton. If they did not grow the cotton we would still make this payment, but we would not have to take the cotton in under loan. The total net result, according to our estimates, would be a cost saving of about \$60 million.

Mr. TEAGUE of California. If they were paid not to plant cotton, could they put that acreage into feed grains, then?

Mr. MURPHY. They could, so far as this program is concerned. I think that is right.

Mr. TEAGUE of California. I do not think that would be very wise.

Mr. MURPHY. I think that we should undertake to make a comparison between this and what is done under the diversion programs for feed grains and wheat. This is in a sense comparable to the diversion payments under those programs. Under those programs when you get the diversion payment you have to idle the land—it cannot be devoted to some other crop. The payments we are talking about here are at the rate of about one-half of what you would get on a comparable basis under the feed grain program. If this payment were big enough, why, then, there would be considerably more justification for requiring that this land not be devoted to the production of some other crop.

Mr. TEAGUE of California. In other words, as I recall, the average is something like \$17 an acre under the diversion program, which would be \$8 or \$9 an acre.

Mr. MURPHY. I think the figure that we should use is in terms of the proportion of the value of the crop normally grown on this land. The diversion payments, under the wheat and feed grain programs, run up to 50 percent of the value of the normal yield of the crop that would be grown on the acreage. And in this case, if we used that rule of 50 percent, it would run around 29 cents a pound, so that you would get a diversion payment of 14 to 15 cents a pound, and then I think that would be on a basis comparable to the feed grain program.

You might well be justified in making a condition on the payment a requirement that the land not be devoted to other crops.

Mr. POAGE. Would you yield?

Mr. TEAGUE of California. Yes.

Mr. POAGE. That is what I was talking about awhile ago, giving the cotton farmer the same kind of treatment that you give the wheat and feed grain farmers.

Mr. MURPHY. That was my understanding.

Mr. POAGE. And the same kind of acreage payments. Of course, we would also impose the same kind of obligations in connection with the retirement of cotton acres that we impose on the corn man.

Mr. MURPHY. Yes.

Mr. POAGE. If you are going to pay him on the same basis then you have to impose the same restrictions on his use of his land.

Mr. MURPHY. I think that deserves very careful study, and we will be glad in the Department to try to do some staff work on this and make the results available to you for whatever they might show.

The CHAIRMAN. We thank you very much for your statement.

Mr. JONES of Missouri. Am I to have an opportunity to ask any questions of Mr. Murphy?

The CHAIRMAN. You may.

Mr. JONES of Missouri. I was waiting my turn. First I want to say, Mr. Murphy, that I appreciate the contribution that you have made. I appreciate the competence of the people in the Department of Agriculture. I think it has been evidenced by the decisions that have been made by the Department, that they were good and that no political influence had entered into them. I think that we could have followed the recommendations of the Department and still have a good program if that had been the fact. I want to refer particularly to the fact that I supported you when you appeared before this committee recommending a domestic subsidy which would remove the inequity. At that time we had quite a hearing here. I think that I am correct in stating that at that time you thought that it was not necessary that the domestic subsidy be equal to the export subsidy. Is that correct?

Mr. MURPHY. That is correct, Mr. Jones. My recollection is that the main point we were talking about was framed in terms of removing the inequity which you have just mentioned.

Mr. JONES of Missouri. Removing the inequity, yes.

Mr. MURPHY. We did take the position that the inequity could be removed by something less than going all the way to the one-price system. I do not happen to remember what the range was. It seems to me that it was about 3 cents a pound.

Mr. JONES of Missouri. That is right. And then later when I was following your leadership on the floor the Department left me. I was with the Department's position, but the Department went along and acceded to the pressure that was put on it and agreed to the same domestic subsidy as the export subsidy.

I am interested in a statement on the first page of your prepared statement where you make the statement which is rather intriguing to me, when you say that "Domestic consumption is up by about 900,000 bales. U.S. textile mills are obtaining cotton at prices no higher than our export prices."

I do not know whether that was done deliberately or not, but I infer that you left the impression, at least with me, that they are actually obtaining their cotton at less than the export price.

Mr. MURPHY. No, sir. I think to all intents and purposes they are receiving it at exactly the same price. I suppose the language is phrased this way because of the law itself. The law, as I recall, requires the domestic payments to be at a rate which will make cotton available for the domestic use at least as low as available to export users.

Mr. JONES of Missouri. You recall that in the earlier part of this year the Department of Agriculture, recognizing that there were some abuses prevalent under the release and reapportionment provision, you changed the regulations at that time providing that the bonus acreage—that is, the farmer who would pick up the released acres—you restricted that bonus acreage, that it would not be higher than 33 acres or 50 percent of the cropland. That regulation was announced by the Department. I think it also will be recalled that that regulation stayed in effect for 3 days, is that correct?

Mr. MURPHY. My recollection is not altogether clear, but such as it is, it never took effect.

Mr. JONES of Missouri. It was announced, and within 3 days later——

Mr. MURPHY. It was modified.

Mr. JONES of Missouri (continuing). There was a change in the regulations. So instead of 50 percent of the rate it was 75 percent.

Mr. MURPHY. That is the way I remember it; yes, sir.

Mr. JONES of Missouri. What I am trying to say is that I think that your people in the Department—you yourself, too, know the solution to this problem and that you, also, recognize the effects that skip-row planting was having in increasing the production, and you stated that you felt that in some cases it might be as high as 33 percent and in some places lower and some places higher.

Mr. MURPHY. Right.

Mr. JONES of Missouri. The point I am getting around to is this, are you of the opinion that had the Department implemented its original regulation relating to the release and reapportionment—if it had implemented the regulation pertaining to skip-row planting, that those two things alone would have reduced the total production of cotton in the United States more—and I emphasize “more”—than you are going to reduce it by reducing the acreage from 16 million acres to 14 million acres?

Mr. MURPHY. I will have to respond about the two things separately, Mr. Jones.

In the case of the change in the release and reapportionment, I do not think that it would have any appreciable effect on the total volume of the production. In fact, I think it is possible that lowering the percentage might actually result in a slight increase in production. This involves the question of transferring or reapportioning, within a county, and second, from the county to another place within the State. And if you reduce the limits, say suppose the maximum limit was 50 percent instead of 75 percent—if these are the numbers—why, then, reducing this limit from 75 to 50 percent might result in the acreage

going away from a county where the yields are rather low, being moved to a county where the yields are much higher. So the result might actually be to increase the production, but I think that the net would be, in my estimation, no appreciable increase or decrease.

Mr. JONES of Missouri. I am saying that if the Department would go all the way as it has the authority to do and do away with the release and reapportionment—the Secretary does have the authority to abandon this release and reapportionment, does he not?

Mr. MURPHY. That is not my understanding; no, sir.

Mr. JONES of Missouri. If he has the authority to act.

Mr. POAGE. He does not.

Mr. JONES of Missouri. But he says that he has the authority to limit the amount that can be—if he could limit it from 50 percent to any rate down or up to 75 percent he could limit it to 1 percent, is that not correct?

Mr. MURPHY. No, because 1 percent would be, I think, by any definition, unreasonable.

Mr. JONES of Missouri. Would it be all right to go to 10 percent—where is the point where you think it will be unreasonable—that is what I am trying to get at. If you have the authority to set the amount I think that you have the authority to go further than you did go in your first announcement or that you went in your amended announcement.

Mr. MURPHY. We had better get the language of the law that would be operating and look at that if we are going to examine this, I think.

Mr. GODFREY. If I may.

Mr. MURPHY. If Mr. Godfrey might comment on it. He is certainly more familiar with it than I am.

Mr. GODFREY. Section 344(m)(2) is the authority for the release and reapportionment and it states that the allotment would be reapportioned in amounts determined by the county committees to be fair and reasonable on the basis of the past acreage of the cotton, the land and labor and equipment available for the production of cotton, crop rotation practices, and soil and other physical facilities affecting the production of cotton.

And then it says if all of the allotted acreage voluntarily surrendered is not needed in the county—in other words, the county committee must reapportion it if they have the request—the county committee may surrender the excess acres to the State committee to be used for the same purposes as the State acreage reserve under subsection (e) of this section which is to increase allotments.

Mr. JONES of Missouri. What authority does the Secretary have—is the authority limited to that, to 50 or 75 percent?

Mr. GODFREY. On the basis of good crop rotation practices as authorized here.

Mr. JONES of Missouri. How far can he go?

Mr. GODFREY. What would be reasonable and in relation to good crop rotation practices and the like.

Mr. JONES of Missouri. You are more familiar with that than anyone else.

Mr. GODFREY. We said 75 percent.

Mr. JONES of Missouri. But you originally said 50 percent.

Mr. GODFREY. We originally said 50 percent, and as Mr. Murphy pointed out we were convinced that this was going to actually increase the production of cotton.

Mr. JONES of Missouri. Do not tell me that you just picked a figure of 50 percent out of the air one day, and then 3 days later you decided that you had made a mistake; in other words, did you get a lot of complaints from people all over the country about setting that figure?

Mr. GODFREY. We received a lot of complaints about setting the 50-percent figure and enough factual data, based on studies that we made ourselves, to show that the acreage would move from low-yielding counties to high-yielding counties. Therefore we increased it to 75 percent.

Mr. JONES of Missouri. Now you are destroying my confidence that I have had in your staff over there. I thought that before you made these regulations that it was on the basis of a study—that you had all of the facts—that you made this announcement then, and then here 3 days after you make the announcement, then you say, “We were wrong.” And that these people out in the field and the producers in the areas that were caught by the reapportionment, you admitted that they knew more about it than you did, is that correct?

Mr. GODFREY. No, sir. The 50 percent was originally set on the basis that in the opinion of several staff members and other individuals, that 50 percent of the land devoted to cotton would provide for an adequate crop rotation system. This was based on some agronomic recommendations.

Then it was called to our attention and we actually obtained some results of release and reapportionment for several counties in different areas of the country. We found that in these counties a surplus acreage over and above the needs within that particular county would be available if we limited it to 50 percent of the cropland. And in these particular counties the yields were low. The acreage would then be available to the State committee to reapportion to other counties where there was a demand for additional allotment. And in these other counties where there was demand, the yields were high.

Mr. JONES of Missouri. Let me ask you this question: Do you know of any instance where the released acreage was not reapportioned to a high-yielding territory?

Mr. GODFREY. Oh, yes, sir; many.

Mr. JONES of Missouri. All right. Why have you changed your regulation now to include a yield factor which will go into effect next year?

Mr. GODFREY. We have recommended a yield factor in the sale and transfer of allotments. We have not recommended a yield factor on release and reapportionment.

Mr. JONES of Missouri. Have you recommended that where the acres are transferred under the release and reapportionment that the yield factor will be taken into consideration?

Mr. GODFREY. No, sir; we have not.

Mr. JONES of Missouri. And then you are not able to talk about the release of acres. Did you not bring that out when you were talking about this?

Mr. GODFREY. On the basis of lease and on the basis of transfer by sale, we did recommend the use of that factor.

Mr. JONES of Missouri. Does not this confirm that you recognized that it was going to the high-yielding places and, therefore, you were putting that into effect?

Mr. GODFREY. Generally it does; yes, sir.

Mr. JONES of Missouri. That is what I am trying to say.

Mr. GODFREY. Yes.

Mr. MURPHY. If I might return to the original question, Mr. Jones, I did not mean to be unresponsive. If you were to ask us if we did away with the release and reapportionment and did away with skip-row planting would that reduce production more than the decrease in acreage allotment, the answer is "Yes."

Mr. JONES of Missouri. That is what I have been trying to get.

Mr. MURPHY. I am sorry that we got diverted. If you did away with these two things, it would reduce the production more than the other.

Mr. JONES of Missouri. Will Mr. Murphy be back tomorrow?

The CHAIRMAN. I doubt it. Let us go off the record.

(Discussion off the record.)

The CHAIRMAN. If there is no objection, we will not have meetings tomorrow, to give people time to study the bill and the report. If there is anyone here from a great distance and it is inconvenient to come back later, we will hear them, because I would not want to work any hardship on them.

Let us go off the record.

(Discussion off the record.)

The CHAIRMAN. On the record.

Suppose that we go ahead at 10 o'clock in the morning. And the rest of you can take the weekend to study the bill and the report. We will meet tomorrow morning at 10 o'clock.

(Whereupon, at 12:20 p.m. the subcommittee adjourned to resume at 10 a.m., Thursday, May 27, 1965.)

COTTON

THURSDAY, MAY 27, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to notice, at 10:15 a.m., in room 1301, Longworth House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representative Cooley, Poage, Gathings, Abernethy, Jones of Missouri, Stubblefield, Morrison, Olson, O'Neal, Stalbaum, De La Garza, Vigorito, Redlin, Greigg, Callan, Dague, Teague of California, Latta, Dole, and Walker.

Also present: Christine S. Gallagher, clerk; and Hyde H. Murray, assistant clerk.

The CHAIRMAN. The committee will be in order.

Yesterday the Under Secretary of Agriculture was on the stand. We will now recognize Mr. Jones.

Mr. JONES of Missouri. I want to thank you for the replies that you gave me yesterday. I will try not to be repetitious, although I have several questions that I did not make a note of as to which ones I asked. As I recall, you did reply to the question that if the Department would implement the regulation which is to take effect next year and would eliminate skip-row planting, that those two changes would result in less production than by reducing the acreage from 16 to 14 million acres.

**STATEMENT OF HON. CHARLES S. MURPHY, UNDER SECRETARY OF AGRICULTURE; ACCOMPANIED BY HORACE D. GODFREY, ADMINISTRATOR, ASCS, U.S. DEPARTMENT OF AGRICULTURE—
Resumed**

Mr. MURPHY. Mr. Jones, I do not want to get involved in differences just about semantics.

Mr. JONES of Missouri. Yes.

Mr. MURPHY. My answer was that if the release and reapportionment were eliminated and if skip-row planting were eliminated, those two actions together would result in a greater reduction in the production of cotton than changing the minimum acreage allotment from 16 to 14 million acres.

Mr. JONES of Missouri. That was your answer.

Mr. MURPHY. That is right. And we did have some discussion about how the release and reapportionment might be eliminated, so that we could just leave that off to the side and say that if by any means it were eliminated—

Mr. JONES of Missouri. That is right.

Mr. MURPHY. These two——

Mr. JONES of Missouri. I just wanted to get on the record what your feelings were if the first thing would happen.

Mr. MURPHY. That is right.

Mr. JONES of Missouri. Now, on page 3 of your statement of yesterday:

With the 15-million-bale crop carryover will increase during this marketing year by 1.3 million bales.

That means that it would be reflected in the statement of the August 1966 figures?

Mr. MURPHY. August 1965. This is the 1964 crop of cotton. The marketing year began August 1964 and ended or will end July 31, 1965.

Mr. JONES of Missouri. You are predicting that in August of this year the carryover will be 1.3 million bales more than it was August of 1964?

Mr. MURPHY. That is correct, sir.

Mr. JONES of Missouri. Then I think that you have stated in one place in your testimony that the skip-row planting had resulted last year, approximately in that much increase in production.

Mr. MURPHY. Not quite that much. I think that our estimate of the increase from skip-row planting is about 900,000 bales.

Mr. JONES of Missouri. About 900,000 bales?

Mr. MURPHY. More than you would get from the same acreage allotments without skip-row planting.

Mr. JONES of Missouri. Now you say that you believe that the disappearance is going to be as high in 1965-66, and you are estimating exports of 5 million bales next year?

Mr. MURPHY. That is right.

Mr. JONES of Missouri. Why do you think that there will be a greater increase in the exports next year than this year?

Mr. MURPHY. Well, first, we should say this is by nature a highly conjectural question. It depends on many things that are not yet known and not subject to our control.

For example, one very important element is the weather in foreign countries all around the world. We do know that in the last year the stocks were built up in the importing countries and were somewhat above the level that has come to be regarded as normal.

This year one of the reasons that we think the exports will be lower than they were last year is because they are drawing down the stocks that had been built up, but we think that will be pretty well completed by the end of the year.

I would say in the normal course of events and with average weather and average conditions and average consumption that we would regard this 5 million bales as about what could be expected. Some of my colleagues who have much more expert knowledge in this particular field than I do, are present, and if you wish to go into it at length, they can give you more details.

Mr. JONES of Missouri. There were two or three things that I wanted to find out the reasons behind them. You say that the program expenditures for fiscal year 1966 will probably decline to about \$725 million. Why would there be a decline? Is that due entirely to the lower support rate?

Mr. MURPHY. No. It is due more to the fact that the expenditures for the current fiscal year include some that I would refer to and have referred to in my statement as one-time costs that were involved in the transition to the current program.

For example, in the early part of this fiscal year we picked up some equalization payments on cotton that was consumed by the mills earlier. We picked up some payments on cotton in inventory and so on. About \$150 million of the expenditures for this fiscal year of that nature would not recur in the coming fiscal year. The reduction in the loan level, the support price, would result in some savings.

If I may, Mr. Chairman, I would say again that if you had exactly the same kind of program, the same payment rates and all for the 1966 crop that we have now announced for the 1965 crop, we would expect the expenditures to go back up again to something over \$800 million. This being due mainly to the expected increase in per-acre yields, and to the fact that some acreage that is not planted under the present system shifts each year to farms where it will be planted, and the acreage that has been in the conservation reserve drops a little each year.

Mr. JONES of Missouri. Well, now, on page 5 of your statement you state that:

Unless new legislation is enacted, it seems certain that returning to the provisions of law which would govern the 1966 programs would quickly erase the progress made during 1964 and 1965.

Where you say, "Unless new legislation is enacted," would the same thing apply—could you obtain the same effects by changing the regulations? I believe that the answer you gave me a minute ago would indicate that you could do that through regulations rather than through legislation.

Mr. MURPHY. No, sir. I did not intend to leave that understanding. It is my understanding that we could not terminate the release and reapportionment through regulations.

Mr. JONES of Missouri. You could reduce it, though.

Mr. MURPHY. I do not think that we could reduce it or change it enough to have a significant effect on the volume of cotton produced.

Mr. JONES of Missouri. I am not going into that. That is, as to what you could do. I am merely pointing out what you have done, that you could do that and if you could, then you could have gone even further. I think that is the point that I am trying to make.

Mr. MURPHY. We might have gone some further than that, but it would be my judgment that we could not go far enough to make a significant change in the production of cotton.

Mr. JONES of Missouri. But you could—did I not understand you to say—pardon me for interrupting you—did I not understand you to say that the Secretary could eliminate the skip-row planting or, at least, not give a bonus acreage for skip-row planting.

Mr. MURPHY. He can.

Mr. JONES of Missouri. Yes?

Mr. MURPHY. But I would like to say about this language here on page 5 of my prepared statement, that this refers to making the cotton available, also, for domestic use at the lower price. The kind of progress that is referred to here relates particularly to the domestic consumption of cotton. We would estimate, for example, that with

the so-called one-price system, if it is continued, with prices at about the current level, the use of cotton in the United States will be greater—will continue to increase. If, on the other hand, no new legislation is passed and you go back to the old law with the two-price system, we feel that there would be a sharp drop in the domestic use of cotton.

Mr. JONES of Missouri. This may sound repetitious, but on page 7 of your statement you say, "If we are to avoid a continuing buildup of stocks, changes must be made in current legislation which will reduce the acreage planted to cotton."

And again I would suggest that a great deal of help could be obtained by changing the regulations as well as by legislation. And I make that as a comment and will not ask you to make a comment on that. I will try to hurry along. I have one or two more questions.

Mr. MURPHY. I will be glad, if I might, to volunteer a comment on that.

Mr. JONES of Missouri. All right.

Mr. MURPHY. I think that we have been through this. We have tried to estimate as best we could what could be done by regulation and how far that would fall short if there is no new legislation.

My recollection is that we think that there would still be a buildup in stocks of over 1 million bales from the 1966 crop. That is right.

Mr. JONES of Missouri. Well, that does not coincide with what you said a minute ago that by eliminating the skip-row planting you could reduce it about 900,000 bales.

Mr. MURPHY. It does.

Mr. JONES of Missouri. That was 900,000 bales?

Mr. MURPHY. It does. If we did not—

Mr. JONES of Missouri. From the 1.3 million, that is only 400,000 bales.

Mr. MURPHY. If the change was not made with respect to skip-row planting, then we would expect this buildup in carryover to be considerably more than 1 million bales, but even if you make the change in skip-row planting—if the Secretary did everything he could under the existing law by regulation to reduce the production of cotton, we would estimate that the carryover would build up another 1 million bales from the 1966 crop. And if you did not make the change in skip-row planting it would build up even more. I am fairly sure that I have these numbers straight. If I have not, I will ask permission to correct the record, but I think that this is an important point.

Mr. JONES of Missouri. Maybe we just use different forms of mathematics. I did not get that much when I used the figures that were here in this statement where you state that the export would be 7 million bales—that is your estimate—that it would have to bring the price down to 15 cents and 17 cents a pound and when cotton gets down to 15 cents and 17 cents a pound, if it ever does and I hope that it will not, how many other countries do you think will want to continue in this field?

Mr. MURPHY. We would expect that the production in foreign countries would continue at about the current levels. Probably it would not increase much.

Mr. JONES of Missouri. I am going to bring up one more point before I close.

At the time that we had hearings and at the time that the Congress authorized the export and domestic subsidy payments, statements were made by representatives of the textile industry that all of the costs of that program would be reflected in the price—that is, the retail price to the consumers, and I think that the representatives of the textile industry made the statement before this committee that they felt that the price or, rather, the savings to the consumers would be between \$600 and \$800 million a year. That is in the hearings. I can tell you that figure is right.

Of course that has not happened, has it?

Mr. MURPHY. That has not happened according to my information.

The CHAIRMAN. Will you yield there?

Mr. JONES of Missouri. Yes.

The CHAIRMAN. Prices have been reduced by some companies; is that not a fact? The price has been reduced on shirts and other articles in recent months. I do not know the total dollar volume involved. As I recall the witnesses from the textile industry testified that all of this would be passed on to the consumers. That they would reduce the retail prices. They have brought down the price in some instances, but it has not been done overnight. It is my impression that the manufacturers' orders were placed and those were based upon certain dollar values, and they had to carry out those contracts. They have had only a very few months in which to make the progress that has been made in the reduction of prices. No manufacturer in the world can reduce prices until there is a reduction in the raw material costs which can be passed on to the consumer.

Mr. JONES of Missouri. I do not want to get into an argument about this, Mr. Chairman, and I am not going to. I was merely stating what was brought out in the hearings in December of 1962 when a representative of the textile mills did say that he estimated that the savings to the consumers would be between \$600 and \$800 million a year. I said at the time that I thought that was certainly just wishful thinking, because I did not think that it would be done. I know at the time that I took the position that we could not justify the same subsidy for the domestic mills that was being paid on the export program, and I supported the Department's original position that we should make the domestic subsidy sufficient to eliminate the inequity, and for that reason when it was increased to equal the export subsidy I did not vote for the cotton bill in the House at that time. That was the main reason that I voted against it. And I think that the statement that I made at that time and the statements made on the floor have been substantiated.

I have only one other point to bring up before I close. That is, we were led to believe that if we would give the domestic mills a subsidy that that would enable our domestic mills to compete more favorably with the imports of textiles and I think that we were assured that if we would make the price of cotton more competitive that we would be able to reduce the imports of textiles. Now, that has not taken place.

Is it not a fact that there has been an increase in the imports of textiles; that is, last year and this year over previous years?

Mr. MURPHY. I, frankly, do not know, Mr. Jones. First, I think that we should get into this picture the fact that there are some agreements with other countries that limit the imports of cotton textiles.

It is my impression that imports have been at about the same level for the last year; that they, perhaps, have gone up slightly, but they have not gone up rapidly or as rapidly as they were several years ago, but the level has been about the same. It may be up a little or down a little bit. I think it is just a fact that there has been an extremely strong market for cotton textiles here and that the domestic mills have been very busy, as the chairman mentioned yesterday—many of them running three shifts—and they have orders booked far ahead. And when you have that kind of a market I think that you have a demand for imports as well as domestically produced cotton textiles.

Mr. JONES of Missouri. I have figures from the Department of Agriculture here which indicate that in every type—yarns, thread, cloth, the different types of cloth—every one of those, that it increased this year in the period of January until March over January to March of last year. In fact, while it may be a small increase, the equivalent bales of cotton for 1964, January until March, imported into this country in the form of textiles was 151,000 bales. In January to March of this year, 1965, it has gone up 25,000 bales to 176,000 bales. There has been an increase in imports. In fact, as we go back over the other years we find that there has been an increase in it rather than a decrease that we thought we might have.

Mr. MURPHY. I am not certain that the imports are bad in and of themselves.

Mr. JONES of Missouri. I am not saying that. What I am trying to bring out is the fact that the results were different from what we have been led to believe from the hearings and the statements of both the trade and the textile people. That is what I want to bring out.

Mr. MURPHY. And you could add the Department of Agriculture and the Department of Commerce.

Mr. JONES of Missouri. What is that?

Mr. MURPHY. You could also add the Department of Agriculture and the Department of Commerce.

Mr. JONES of Missouri. Yes.

Mr. MURPHY. Because we told the committee that in our judgment the price of textiles to the consumers would go down. That has not happened that way, as we brought out yesterday, but we certainly joined in making that prediction last year and I still think that eventually they will go down, but there has been a phenomenally strong market and under those circumstances, why, prices just do not go down very fast; that is all there is to it.

Mr. JONES of Missouri. I have just one more question which is of Mr. Godfrey and I will then yield the floor, Mr. Chairman.

Mr. Godfrey, how many counties now get more cotton acreage than the farmers in that county want to plant and that they do release?

Mr. GODFREY. I will be glad to furnish them for the record.

Mr. JONES of Missouri. I think that when you furnish those figures you will find that there are 473 counties that received more cotton than they wanted to plant and they released them and eventually they get into either the hands of farmers in that county or go to the State committee for reallocation to other areas and when they go into the State it is always reallocated into areas that are producing more than the counties from which it was released. I think you will find that.

Along the line of the same question, how many counties do receive allotments, that is, cotton allotments in the United States?

Mr. GODFREY. I do not call offhand.

Mr. JONES of Missouri. Something over 1,000. And of the 1,000 counties that get the cotton allotments, 473 of them get more cotton than they want to plant, and they do release them, and if that is not correct, you can correct that in the record.

Thank you. I yield the floor.

(The information referred to follows:)

In 1963, 490 counties surrendered 502,724 acres of released cotton allotments to the State committee. In 1964, 468 counties surrendered 476,524 acres of released cotton allotments to the State committee. This acreage was reapportioned to other counties within the State.

The CHAIRMAN. Mr. Poage.

Mr. POAGE. I am afraid that we have come to a point where I have to ask a question or two of the Secretary with regard to skip-row planting. The gentleman from Missouri has talked about it. Unfortunately we cannot accept the statement that a farmer can make 33 $\frac{1}{3}$ percent more cotton by engaging in skip-row planting. If we did, we would all practice it. History has not proven that we can make any such additional yields, but we realize there are areas where it is a desirable practice, where it is a common practice, and where it is, undoubtedly, a profitable practice.

I do not know of any other crop where you have imposed or suggested the imposition of regulations which would be a penalty on a farmer for using the best cultural practices with which he has become acquainted. Have you ever imposed a regulation that penalized the corn grower for using the best cultural practices as suggested by your Department?

Mr. MURPHY. I would have to say, Mr. Poage, that I do not think that is quite on a comparable basis.

Mr. POAGE. I am not asking whether it is comparable or not. I asked you a question about the practice of the Department—has the Department ever imposed a penalty on any other farmer for using cultural practices which the Department conceived to be good—practices which were approved by both the State colleges and by your Department?

Mr. MURPHY. If skip-row planting is such, if you call it such a cultural practice, then I think we have imposed that kind of penalty on the producer of corn, rice, peanuts, and tobacco.

Mr. POAGE. Where have you imposed that kind of a practice? That is, where have you imposed that kind of a penalty on that kind of a practice?

Mr. MURPHY. I think pretty generally since we have had these acreage allotment programs, wherever you had the acreage allotment program.

Mr. POAGE. Let us get this clear. Have you advised the growers of corn to employ skip-rowing?

Mr. MURPHY. I do not know that we have ever advised that.

Mr. POAGE. Do you think that it is a desirable practice for corn?

Mr. MURPHY. No, no. So far as I know about corn you cannot make more by skip-rowing.

Mr. POAGE. Let us say that you have not then imposed a penalty upon the corn farmer because of the use of a cultural practice which you and the State colleges advised.

Mr. MURPHY. But we have not permitted him to plant 2 acres of land in corn and count it as 1 acre, because the rows were spread far apart.

Mr. POAGE. We have never done that in cotton and we are not proposing to do it and nobody has suggested that you do it.

Mr. JONES of Missouri. Would you yield?

Mr. POAGE. I did not interfere with you, Mr. Jones, but I will be glad to yield to you for a question.

Mr. JONES of Missouri. I just want to say——

Mr. POAGE. Ask your question—I am yielding to your question.

Mr. JONES of Missouri. You say that they do not charge the farmers for that fact. Of course, there are many instances where they spread out 2 acres over 3 acres, are there not?

Mr. POAGE. They are not doing anything of the kind. And if you are going to penalize a man for it—will you let me answer your question, Mr. Jones.

Mr. JONES of Missouri. Yes.

Mr. POAGE. Do not get so excited. I just want to answer you. That is just what I propose to do.

Mr. JONES of Missouri. I think I can take care of myself.

Mr. POAGE. Will you let me answer?

Mr. JONES of Missouri. Yes, sir.

Mr. POAGE. What you are doing when you penalize a man for skip-rowing is to say that “You are going to penalize him if he does not plant his crop in the rectangular or square or circle, that you think he ought to plant it in.” And in skip-rowing they plant two rows here (indicating)—they may be a mile long. Are you going to say that he has no right to plant only two rows? Of course not. If he then does not plant the next two rows here and then comes along and plants again, is that any different from planting in Missouri along a creek that is as crooked as a dog’s hind leg? In Missouri you allow the farmers to plant two or three rows down along this creek with every meander of that creek and not to plant anything on this upland. You allow that man in Missouri to follow the contour of that creek, and he may not have but two rows wide, but that is all right in Missouri, but if it is on the high plains of Texas where there are no natural barriers then you say that he has got to plant these intervening spaces. You are imposing on us a requirement that you do not impose upon a great many other people.

Skip-row planting is a practice that you yourself said, Mr. Secretary, resulted in better production and cheaper production, in a better quality, all of which we want and on which we are spending millions of dollars trying to get. Probably the Department of Agriculture could not exist today if it had not sold the people of the United States on the idea that we were trying to improve our practices in agriculture. And here is a practice that your Department says is good, that every agricultural college in the Nation that has had anything to do with it says is good. The farmers think it is good, but you now say it results in more production and we do not want more production. That is true. Our chairman here is from a part of the country where they grow

cotton and they would grow mighty little cotton if they did not fertilize.

I certainly have no objection to his fertilizing his land to grow cotton. And my colleague over here is from a part of the country where they would grow mighty little if it were not irrigated. I am not complaining about irrigation.

In this case several of these people are getting water from a few inches away from the planted row and you do not want them to get that water because it grows more cotton. So does the water in west Texas which you bring in by ditches from the wells and so does the water that is brought out of the Colorado River and moved for 300 miles to irrigate the drylands of California. That water also produces more cotton.

The nutriments which are used by cotton stalks planted in skip-rows produce more cotton just as do the nutriments that are bought in a sack and placed in our chairman's fields. I am not complaining, but those nutriments that are bought in the sack are accounting for the production of several millions bales of cotton, are they not?

Mr. MURPHY. I am sure that they are.

Mr. POAGE. And the irrigation practices over this land are accounting for several million bales of cotton, are they not?

Mr. MURPHY. Sure.

Mr. POAGE. Now, the only reason that you picked skip-row planting is because you thought that the people who are engaged in skip-row planting were not so well able to defend themselves; is that not it?

Mr. MURPHY. No, sir. May I answer that question?

Mr. POAGE. Yes, sir; I want you to explain what is the difference between the skip-row planting and the use of fertilizer and of irrigation.

Mr. MURPHY. It is my understanding the only reason that we picked it is that it is the only thing that we can pick.

Mr. POAGE. That goes without saying.

Mr. MURPHY. This is a matter of law. As I said to Mr. Jones several times, I do not think that we have the authority under the present law to eliminate the release and reapportionment. If we did, I think that the Department would have the necessity to take a real long look at this.

Mr. POAGE. I am not talking about release and reapportionment. I am talking about the use of irrigation. Would you take a real hard look at irrigation?

Mr. MURPHY. If we had the legal authority to do something comparable in the case of irrigation I expect that we would have to take a good hard look at it.

Mr. POAGE. Would you try to eliminate fertilizing if you had the authority?

Mr. MURPHY. I would not like to eliminate irrigation, fertilization, skip-rowing or release and reapportionment. I would not like to eliminate any or all of them, but the Secretary of Agriculture is sitting down there with a very bad problem, and I think that he has to look at every possible alternative.

Mr. POAGE. That is right. The Secretary of Agriculture himself cannot do otherwise. He came before the Subcommittee on Livestock and Feed Grains just a few days ago and told us that we were spend-

ing so much money under that program that it looked bad, but that he wanted to spend some more to reduce the acres of feed grains. There is not any question that we are doing it. I voted for it. In fact, I introduced a bill on it. I think it is a sound proposition, but we are saying to the corn producer of the United States and we are saying to the wheat producer of the United States, "You are producing too much, so we are going to take your land into the reserve and pay you." And I am not against that for the wheat producer or the corn grower, but I am suggesting that instead of finding some cultural practice whereby you could turn the cutworms loose and eat up the corn, you did not do that. You did not say that you were going to quit trying to prevent rust on wheat. It would kill off a lot of wheat and we would not have so much surplus.

You did not say that you were going to try to make these wheat and corn farmers go back to the poor practices that they had 60 years ago, but you said, "No, we will see that you are paid to put your land into the reserve."

I am afraid you have found us guilty and now you propose to give us a hearing. Years ago I went over to the courthouse. The justice of the peace said that he found the man guilty but that he would now give him a fair trial. You have found us guilty of skip-rowing. You have pronounced the judgment in your testimony here time and again. You have given us an opportunity to present our side after already having made up your mind to eliminate skip-row planting.

The CHAIRMAN. Will you yield right there?

Mr. POAGE. Yes.

The CHAIRMAN. What Mr. Murphy said was that this was merely a proposal which was under consideration, that they had not reached a final judgment.

Mr. MURPHY. That is correct, Mr. Chairman. The Secretary has not made a decision about this. I think he will not make a decision for some time yet.

Mr. POAGE. He will just withhold pronouncement of his judgment.

Mr. MURPHY. My testimony was not intended to, and I want to say in all frankness that I do not think that it does indicate that the sentence has been pronounced or a decision has been made or that anybody has been convicted of anything.

All I said was that if you are going to get the production of cotton down, why, this is one of the things that is needed, or if you are going to get it down to a certain point, this also is what is needed.

The CHAIRMAN. What Mr. Poage is talking about is reducing the quantity of the fertilizer and by abolishing some of those other practices which increase yields.

Mr. MURPHY. You can also get the production of cotton down by reducing the acreage allotments, by eliminating the release and re-apportionment and by changing the payment rate on the domestic allotment, and a number of other things which are in the bill. This statement is principally about H.R. 8149. And I said that if these other changes were made that they would bring the production down, but they would not by themselves bring the production down to a level that we thought would be necessary to get the costs of the program down as much as they had to come down. And one other thing

that could be used in conjunction with them was the change in the rules on skip-row planting.

If I might just say another word or two. I would not want to leave the wrong impression here upon this record, because in all sincerity and honesty the decision has not been made. If I talked now or argued either side about what way the decision might go, I think it might create a false impression as to whether or not the decision has been made and whether or not the Department has an inclination, a desire, to reach a particular decision.

The Secretary did think that this has a place in the picture, and that instead of waiting until next next fall when Congress has gone home, the thing should be put up for discussion. The method chosen for doing that was to publish this notice in the Federal Register of the proposed change in the regulation. I think the Department is entitled to credit for bringing this out into the open. This has caused the kind of discussion that it is getting at the present time. I think there is a great deal to be said in favor of skip-row planting. There is much to be said on both sides of this argument.

I think one thing that is important and that we all should take a look at—that is, that you should take a look at, because I doubt that I will be looking at these things very much longer—and that is the relationship to the history and the practices that were in effect before the last change in the regulations relating to skip-row planting which was made early in 1962. It is true that the kind of change that was proposed in the recent notice in the Federal Register would, actually, leave some growers in a situation worse than the situation they were in before 1962. And that is part of the historical period, I think, on which their proper share is based.

I would say that this is something that certainly ought to be looked at very carefully. I understand it is also true that when this change was made in 1962 it did make it possible for some cotton growers to plant more rows of cotton within a given acreage allotment than they had planted before. This again, I think is relevant to the question.

The CHAIRMAN. This is merely a proposal that you have made. It is not a decision by the Secretary to do it.

Mr. MURPHY. Not a bit of it. It would simply restore the situation that existed before 1962. In the main it wouldn't do that. And I think perhaps it should not go beyond that.

Mr. POAGE. I am arguing the morality of it. I am not arguing the legality of it. I am arguing the justice of it. I am arguing the soundness of resorting to regulations that destroy the validity of your own recommendations. That is what I am arguing.

I want to call your attention to one matter that has not been discussed in this skip-row matter. I want to ask Mr. Murphy what he thinks would be planted on that land where he wants to stop skip-rowing. I want Mr. Murphy to tell us what he thinks would be planted on that land when he stops skip-row planting.

Mr. MURPHY. Frankly, I do not know. I think soybeans could be planted on it.

Mr. POAGE. Soybeans in Jones County, Tex.? It has never grown one yet. I am talking about the skip-row country. I am not talking

about Arkansas where they grow soybeans where you do not skip-row, either, to amount to anything.

Mr. MURPHY. It was my impression——

Mr. POAGE. Where skip-row planting exists, what do you expect to be grown on that land?

Mr. MURPHY. It is my impression that the skip-row practice is rather widespread and that it is followed in places where soybeans are an alternative crop.

Mr. POAGE. All right. There may be places where you can grow soybeans. But skip-row planting was originated in west Texas.

Mr. MURPHY. Frankly, I do not know.

Mr. POAGE. I think I do.

Mr. MURPHY. As a matter of fact, I do not know.

Mr. POAGE. I know that is where it originated. What did Horace say?

Mr. MURPHY. About one-half of the skip-row planting is in Texas and also, about one-half of the cotton allotment is in Texas and the two things go together.

Mr. POAGE. That is right. About 1,250,000 acres in Texas are going to be involved.

Mr. MURPHY. There is an alternative crop in west Texas on the plains, and that is grain sorghum.

Mr. POAGE. Of course, that is it exactly, that is exactly what it would go into. We all know it, Mr. Murphy. Now, with 1,250,000 more acres in grain sorghum, what will that do to your corn program—what has it done to the corn program on which we are proposing now to pay a substantial figure for land retirement?

Mr. MURPHY. Frankly, I do not know. I have not studied this. Since I said that I do not know, I think that I should be allowed to say what I would guess. I would guess that it does not make much difference. I would guess that the permission to use skip-row planting has not had any great effect on the feed-grain program. And if you made this change it would not have any great effect.

Mr. POAGE. Mr. Murphy, when you use skip-row, we are planting two rows here [indicating] and skipping two rows, and then planting two rows and then they plant nothing here [indicating]. But if the farmer has to plant in this sort of shape—in a block—then we have a solid block up here of 50 acres, we will say. Do you think that the farmer will let that lay out there or are they going to plant it?

Mr. MURPHY. Well——

Mr. POAGE. I think that it is perfectly plain what will happen. I am amazed that the Department of Agriculture has not considered it. If they say that it is a good idea to jump on these skip-row people because they are defenseless, that is one thing, but you might consider what the skip-row people will do to your other programs—you might well consider that.

Mr. MURPHY. I am sure that there are people in the Department of Agriculture who have studied this. There are a great many things about the Department of Agriculture that I do not know. And this is one of them. I would like to ask permission, Mr. Chairman, to furnish for the record some information on this particular question, because I do think that it is certainly relevant and important.

The CHAIRMAN. Without objection you may do that.

(The information follows:)

THE EFFECT OF ELIMINATION OF SKIP-ROW PLANTING OF COTTON ON ACREAGES OF OTHER CROPS

If skip-row planting of cotton is discontinued, most of the acreage released in the Mississippi Delta will be planted to soybeans. In the Texas and Oklahoma area—particularly the rolling and high plains—grains sorghum, barley, and wheat are about the only alternatives to cotton, but the increase in acreages of wheat and feed grains will be limited by participation in the wheat and feed grain program which has been relatively high in these areas. Alfalfa and barley are the crops most likely to be increased in the western irrigated areas. In the Southeast, there may be some increase in soybeans and the feed grains and eventually some increase in the production of roughage and livestock. However, there is considerable idle cropland in the Southeast so the acreage of other crops is not as closely related to the acreage of cotton as in other areas.

Mr. JONES of Missouri. Will you yield for a question?

Mr. CALLAN. Will you yield?

Mr. POAGE. Yes.

Mr. CALLAN. I am in agreement with Mr. Poage. I cannot see any difference in planting cotton in skip-rows or doing what we are doing out in Nebraska. They are now starting to put corn in rows to get more production.

You talk about the cultural practices here which are the same thing we have. You are trying to get more production.

Another thing, when you talk about reducing the cotton acreage from 16 million to 14 million, this is 2 million acres that will go into feed grains.

Mr. POAGE. Provided you do it the way that he suggested—without payment—but if you do it the way that I suggested—pay for retirement of cotton land just as you pay for cornland—not 1 acre of it will go into feed grains.

Mr. CALLAN. We are trying to get feed grains out. We are talking about 100 million bushels of feed grains. We should take the same approach to cotton as we are taking to feed grains. We want to reduce production.

The CHAIRMAN. That is what Mr. Poage is advocating—that is what he has been talking about.

Mr. JONES of Missouri. Will you yield?

Mr. POAGE. Yes.

Mr. JONES of Missouri. In other words, the fellow can plant his cotton as far apart as he wants to if he skips and there is no objection to it—he can plant it in a circle and that is all right. What I am objecting to is to letting it spread over hell's half-acre to do it. Did you know, Mr. Poage, that in one practice in skip-row planting, where they can plant four rows of cotton and skip four rows of cotton and then plant four rows of cotton, and then skip four rows of cotton, that those four rows that are skipped, that he can receive credit and payment for having diverted feed-grain acres? So he is getting the benefit of that. He gets a payment for diverting feed grain acres on his acres of cotton allotment and then he goes to another acre and spreads it out in that way. That is what we are complaining about. I think that you have given a very good defense rather than it being as you said that they are helpless.

Mr. POAGE. You are saying that we would plant straight rows here but if you plant two——

Mr. JONES of Missouri. I was not talking about that.

Mr. POAGE. It only counts as two rows.

Mr. JONES of Missouri. I do not say that. I say that where cotton is measured you can measure the meandering lines—you can measure the circle—you can measure all of it.

Mr. POAGE. You can measure two rows of cotton just the same.

Mr. JONES of Missouri. If you give him an acre of cotton and you tell him we will not charge you for the acre, you spread your corn out—you give an extra acre to plant that corn.

Mr. CALLAN. What we do is the other way. We bunch it up.

Mr. JONES of Missouri. You are not going to get the additional acres by following a practice that will contribute to the very problem that you are trying to eliminate.

Mr. POAGE. You only would be charged for that land that you planted in cotton and you ought to be charged for all that you plant in cotton, whether you planted 2 rows together, 4 rows together or 400 rows together.

Mr. JONES of Missouri. Let me ask you this——

Mr. POAGE. Regardless of the amount that you plant.

Mr. JONES of Missouri. Say that I was to rent land from you—that I want to rent a few acres of land from you, Mr. Poage. And that I will be glad to pay you rental for it and you say that you will rent me 2 acres. That is right. What I am going to do is that I am going to take two-thirds of an acre and make 3 acres of the area and you will only charge me for 2 acres as rental. Would you be willing to do that?

POAGE. I want to use the rest of my land, because I still have the rest of my land and if I wanted to plant 10 acres, I see no reason why I should plant it in this manner. In fact, the Department of Agriculture has spent a great deal of money in my part of the country advising us to plant on contours—to plant 100 feet wide in strips, to plant that in native grass and then to plant a few rows of cotton and then to plant a few rows of corn and then plant maybe a strip of wheat. They taught us to use that kind of practice. They suggest the planting of a long narrow stretch of a commodity, just exactly what we do in strip rowing. That is exactly the same thing. It was suggested to us by the Department of Agriculture.

Mr. JONES of Missouri. I want to say that skip rowing does produce more cotton. I have one man in this room today who can tell us about that.

Mr. POAGE. If he gets 33⅓ percent more production as the Department suggests, why in the world don't all farmers use skip rows?

Mr. JONES of Missouri. Because he uses the land for other purposes.

Mr. POAGE. They can still use it for other purposes.

Mr. JONES of Missouri. He gets credit for his feed grains when he skip rows.

Mr. POAGE. We just do not have enough water, that is why we can skip row in some parts. The people in west Texas who did not have enough water developed this program to combat drought.

Thank you.

The CHAIRMAN. Mr. Latta.

Mr. LATTA. I would like to ask you a couple of questions. As I understand the cotton program they will pay 29 cents a pound for all of the cotton grown?

Mr. MURPHY. The price support loan is at the rate of 29 cents a pound for Midling inch cotton which is the standard. Actually, the rate for the average of the crop is about three-fourths of a cent lower.

Mr. LATTA. You do pay a price support on all cotton produced?

Mr. MURPHY. This is available to all cotton produced within the acreage allotments, of course.

Mr. LATTA. Within acreage allotments?

Mr. MURPHY. Yes.

Mr. LATTA. Why have cotton producers in the past received such favorable treatment when wheat producers receive certificates on only 45 percent of their production?

Mr. MURPHY. Well, until quite recently the wheat program was different in that respect from what it is now, and in this respect it was like the cotton program is now, that is, the wheatgrowers were entitled to price support, loans on their entire crop. Now, the wheat program has been changed—in my judgment it was a desirable change—so that a distinction is made between the wheat grown for domestic use and the wheat grown in addition to that.

It would, in my judgment, be desirable to make a similar change in the cotton program.

Mr. LATTA. That is what you are proposing through this skip-row procedure, is that what you are saying?

Mr. MURPHY. No, sir; that skip-row planting is a kind of side issue. [Laughter.] This other change is the kind of thing that is involved in what is sometimes spoken of as the Talmadge approach or the compensatory payment approach. I said in my statement here that in the judgment of the Department of Agriculture that would be the best kind of approach in the long-range interest of the cotton producer.

Mr. LATTA. Mr. Secretary, the Department has supported a certificate plan for wheat producers where you limit payment to 45 percent of the production or to what the Department thinks the normal production ought to be for a particular farm in a particular county. This Congress passed the tobacco acreage-poundage bill where you really tied down the tobacco production to pounds. It seems to me that if you are going to be consistent in the Department you will have to come up with something where you are not going to be paying 29 cents per pound for cotton for all of the cotton that can be produced. Is it not consistent to follow some kind of a control program to limit the amount in payments that the particular farmer can receive?

Mr. MURPHY. I would say the first choice of the Department would be to move in the direction that you indicate. When you talk about the 45 percent of the wheat crop that is covered by the certificates, we should note, also, that that 45 percent covers the part of the wheat crop that is used domestically, consumed in the United States—that is the basis for it. It is not a figure that we arbitrarily have taken out of the air. I think that there is certainly a great deal to be said for some comparable concept in the case of cotton under which we could have the cotton consumed in the United States provide a higher return to the producers than on the cotton that is produced for export.

Mr. LATTA. Or for storage?

Mr. MURPHY. Or for storage.

Mr. LATTA. All right. About what percent of the cotton is used domestically?

Mr. MURPHY. Well, we have had a rule of thumb that it was about two-thirds.

Mr. LATTA. About two-thirds?

Mr. MURPHY. About two-thirds of the cotton was consumed domestically and one-third was exported, but in the last 2 years the yield per acre has gone up so that we are having to alter those numbers a little bit. I would say now that it is about 60 percent of the cotton produced which is consumed domestically. Most of the rest is exported and some of the rest is going into the buildup, the carryover.

Mr. LATTA. You indicated in your statement yesterday that this program has failed to produce lower prices for the consumers and has failed to make it more competitive. When this program was passed, these were the two major objectives. Is that true?

Mr. MURPHY. That is my recollection.

Mr. LATTA. Since this program has failed, how can we ask the American taxpayer to pick up a check for \$483 million for a program that has failed to accomplish this objective?

Mr. MURPHY. Well, I think that the first that you referred to, to strengthen the domestic cotton industry, and to place it in a position to compete more effectively with the foreign textile industries, that result, I think, has been accomplished in a very large measure. The textile industry is in much better health than it was before this bill was passed. I think this has had a beneficial effect—a widespread beneficial effect in the economy. This is a significant favorable result from the passage of this legislation. I am sure that the committee here will hear more about this at greater length and more eloquently and effectively from representatives of the textile industry, but this is a view which I think is proper and correct.

It is true that there has been no widespread or substantial reductions in the textile prices at the retail consumer level. This is a great disappointment to many people, including myself. As I said yesterday, I think it is also true that if it had not been for the passage of this bill last year textile prices might well have gone up, instead of remaining relatively stable. That is the kind of thing that is almost impossible to prove. So I would not labor it more. I would say that the evidence is fairly persuasive that that is true.

It is also true there have been some wage increases in the textile industry which I think are attributable rather directly to this legislation and so it is, I think, quite fair to say that there have been substantial benefits from this legislation.

The CHAIRMAN. Will you yield?

Mr. LATTA. Yes.

The CHAIRMAN. Do you agree that it has been of benefit overall?

Mr. MURPHY. We have to look and compare not only what has happened since the law was passed last year, I think we have to look at the very difficult situation we then had and have now and how much worse things would be if you went back to the old system. Things last year were not just rocking along on an even keel—they were getting worse.

The CHAIRMAN. Will you yield further?

Mr. LATTA. Yes.

The CHAIRMAN. It has been stated that about \$1 billion will be invested in new equipment and for the expansion of the plants. I

think that the bill that we adopted has accomplished many things. But I believe that everybody has received a substantial benefit. I think that the consumer has, too.

Mr. LATTA. What the chairman has just said is that we ought to change the name of the program and call it the new equipment and modernization program, rather than what it is labeled. Be that as it may, Mr. Secretary, I think that we ought to give a little thought—in fact, I believe we have to see that the consumer gets the benefit out of this \$483 million if we are going to continue this program for the next year. And since the administration is proposing an excise tax reduction with benefits going to the consumer, we ought to be pretty sure that the cotton textile mills pass these reductions on to the consumers which they apparently have failed to do. Do you have any suggestions how that might be done?

Mr. MURPHY. No, sir; I do not.

Mr. LATTA. Do you not think that it ought to be done?

Mr. MURPHY. I would have to say in all candor I think that it would not be what I would do.

Mr. LATTA. You say that you do not think it would be a wise thing to put it in this legislation, but do you think that it ought to be done, or are you saying that you do not think that the reduction should be passed on?

Mr. MURPHY. I think that it would be very good for the savings to be passed on to the consumers in the form of lower prices. I think this is going to happen again. I am not entitled to much credit as a prophet in this field because of the things that I said last year which have not come to pass, but I still believe that it will happen. I think that the best way to try to let it happen is to continue to let the industry operate as a competitive industry. They have had a phenomenally strong market. I think the production is going to catch up with this market and when it does I think that the prices will come down. And while I am disappointing that it has taken as long as it has, I do think that it is the best way to try to achieve that result.

The CHAIRMAN. Mr. Morrison.

Mr. MURPHY. If I may, I want to say one more thing about skip-row planting before we get too far away from that subject matter. I do not want to have a prolonged discussion again.

The CHAIRMAN. Go ahead.

Mr. MURPHY. I do think that it is important that there be a distinction made between the four-and-four pattern, where you plant four rows and skip four rows, and the other pattern of two and two and two and one. I think that the remarks that Mr. Poage made about the conservation practices and the encouragement that growers have gotten in years gone by to observe conservation practices that related to this are especially applicable in the case of the four-and-four pattern. And since I might not be around to participate in this discussion much longer, I would just like to ask that everybody keep that in mind.

The CHAIRMAN. Thank you.

Mr. Morrison.

Mr. MORRISON. Thank you.

Mr. OLSON. Will you yield?

Mr. MORRISON. I yield.

Mr. OLSON. Can you tell me whether or not in skip-row planting the yield per acre has been affected—has it increased or decreased? I understand the dispute you are having or the difference of opinion we have had when you spread an acre over an acre and a half. Now, if you go back to the acre, let us say that we have a skip-row planted acre of cotton—does it produce more or less than it did when it was not skip-row planted?

Mr. MURPHY. I think that you have to draw a distinction between an acre of land and an acre of allotment.

Mr. OLSON. I am trying to avoid that discussion. I just want for my own information to know the yield of an acre of land before and after the application of the skip-row principle.

Mr. MURPHY. I do not know the answer in terms of an acre of land, because we deal with the problem in terms of an acre of allotment.

Mr. OLSON. I believe this is a very important subject. I hope that we never come to the point where we tell the farmer how he can or how he cannot plant or may or may not apply whatever practice is beneficial to him in the way he farms.

Mr. MURPHY. Well, if we can take——

Mr. OLSON. If the man keeps on skip rowing would he bring up his yield by making this applicable to 1 acre of land?

Mr. MURPHY. Let us suppose that his acre of land that you have there was planted in cotton in 1960 or 1961 before the last change in the regulations relating to skip-row planting, and let us suppose that he planted his crop solid with rows normal distances apart. If he went to skip-row planting he could still use the same acre of land. He could plant two rows and he could skip two rows. In that case, he will only plant one-half as many rows of cotton on that acre of land. I think that he would get a smaller number of pounds of cotton. He would have half as many rows. He would have an acre of land. He would get more pounds per row, but he would get a smaller number of pounds off of the total acre.

Mr. OLSON. That is the answer I am seeking.

Mr. MURPHY. But when the change was made in 1962 he could take this 1 acre of allotment and he could spread it out over 2 acres of land, and when he spread that out over 2 acres of land and has the same number of rows of cotton, he gets more pounds from this acre of allotment. The number of additional pounds he gets varies in different parts of the country, depending upon the practices and the types of soil, but the best we can tell, the average increase is about one-third.

The CHAIRMAN. Mr. Poage.

Mr. POAGE. Obviously if you are going to say that we cannot make these strips too long then you can also control the growing practices that Mr. Callan mentioned. We plant cotton in 42-inch rows. Maybe you have a regulation or do you contemplate a regulation as to that?

Mr. MURPHY. In cotton—not to my knowledge.

Mr. POAGE. Or in any other commodity?

Mr. MURPHY. We are not working on anything of that sort.

Mr. POAGE. Would you feel that if the farmer was producing too much corn—and I think he is—that you would be justified in promulgating a regulation against the planting of corn in anything except in 34-inch rows?

Mr. MURPHY. When you say produces too much corn, I think that we need to set this in the context of what we are dealing with. In the sense of what is too much. If we have programs as we do to try to bring production in line with demand, and we are spending the money and not getting the results, then I think that we have our problem.

I think, generally speaking, that the best way to deal with this kind of a problem is to move toward using units in terms of pounds or bushels instead of allotments in terms of acres.

Mr. POAGE. To have it in a frozen form, is that right?

Mr. MURPHY. That is not right. The reason that I think it is desirable to move toward pounds and bushels is because you would not need to freeze the form of cultivation. Quite the contrary, you leave it up to the farmer. He can choose whether he wants to skip row or not—whether he wants to fertilize or not. He has much more flexibility in his operations.

Mr. POAGE. I understand what you mean. There is one gentleman out at Lubbock, Tex., who has cotton that does not grow possibly more than a foot high. He has been planting it broadcast. He proposes to cut it with a machine to save the expense of picking it. That would be a very substantial saving if he can make that work, if he gets enough production. Do you have any objection to planting cotton broadcast?

Mr. MURPHY. Well, I have not—

Mr. POAGE. You had better tell me now, because if you are going to come along later and say because you developed this system whereby you can grow more cotton by planting it broadcast than you can otherwise, we want to know why you will penalize that man. Do you think that you have any objection to planting cotton broadcast?

Mr. MURPHY. Well, I would answer that question literally. I would suppose that I would have problems with any practice that increases yields.

Mr. POAGE. That is right.

Mr. MURPHY. If you want a practical answer to it, I do not think that the Department has given any consideration to raising any objection or doing anything about it.

Mr. POAGE. There are not a great many people that are using this practice, but those who do have that investment in it. Will you come and cut their head off?

Mr. MURPHY. Then the Department will come up to you and say that we have a problem—we will have to do something about it or cut the acreage allotment—well, I will not use a number—a little lower than 14 million acres.

Mr. POAGE. There is just one more item that I want to ask about. I understand from the chairman, my neighbor here, that his tobacco growers skip row from time to time, not that they follow the same pattern that we do, but that they will skip a row maybe every fourth row. Do you consider that an objectionable practice?

Mr. MURPHY. I would like for Mr. Godfrey to answer that question, not because I am unwilling to express an opinion, but because he knows about that.

The CHAIRMAN. I want to say before you respond that you had better think it over very carefully before you respond. [Laughter.]

Mr. GODFREY. Because we permit this in one type of tobacco and do not in another, that is the reason that I would ask what kind of tobacco?

The CHAIRMAN. I do not want to cut this discussion off, but we have gone a far ways from the main objective of the bill. I do not want to say that we have people here who have come from miles and miles away. Yesterday at the close of the meeting I asked those who would be inconvenienced by not being heard so to indicate.

We have people here from Missouri, Tennessee and Texas. They are here today, and we must hear from them.

Mr. MORRISON. I have two or three brief questions.

The CHAIRMAN. Go ahead.

Mr. MORRISON. As to this proposed legislation, what is the position of the Department as to how the marketing is going to be affected both domestically and for export?

Mr. MURPHY. Under the bill I do not think that the marketing system will be affected very much. The one change is that the payment, the so-called equalization payment would be made at an earlier point in the marketing stream than it is at the present time. The payment would be made either to the farmer or to the first purchaser from the farmer. That would bring the price of the cotton down at somewhat of an earlier time in the marketing system. That might provide some more flexibility than at present but I think not a great deal.

You mentioned not only this bill but the position of the Department.

In that connection, I would invite your attention again to the last sentence in my statement on page 13, which is a quotation from the report of the Department on this bill, and I would like to read it, if I may.

It says:

Under the conditions outlined herein, we will not object to the enactment of H.R. 8149 although we would recommend a loan near world price levels with supplementary payments to producers participating in the program as an alternative which would be more beneficial to U.S. producers in the long run.

Now, if that latter kind of legislation were enacted it would make, I think, a substantial change in the marketing process.

Mr. MORRISON. In other words, there would be an open market?

Mr. MURPHY. That is right. It would be quite a change. Opinions differ about whether it would be a desirable change or not but it would be a substantial change.

Mr. MORRISON. Has the Department taken a position to help private enterprise in every way to market this cotton both domestically and for export?

Mr. MURPHY. We have no objection to helping the private enterprise system, including the cotton merchants. We do regard our primary responsibility as one to the cotton producers, and to the extent that there is any difference in interest, according to our best judgment, I think that we would have to give the edge to the producers.

Mr. MORRISON. You say that you have protected and helped the cotton producer, the farmers who grow the cotton, so far as the marketing of this cotton is concerned. The Department does not take the position that they would like to be in the marketing business—would

you not rather actually have private enterprise handle all of the marketing of the cotton under a bill of this kind?

Mr. MURPHY. We would, indeed. It is my view, and I think it is universally shared in the Department insofar as I know, that it would be better if we were not so deeply involved directly in the marketing system for cotton.

Mr. MORRISON. And if you found yourselves, you might say, not marketing the cotton in the future as you have in the past, and if that has been turned over to private enterprise and if there was a provision in the bill and the legislation as worked out was to the effect that private enterprise to a certain degree or a greater degree as possible could go into the marketing that you have been doing in the past, would that please the Department and still protect the producers?

Mr. MURPHY. I think that the answer to that would be "Yes."

Mr. MORRISON. In other words, as far as the Department is concerned, you are not in any way wanting to get any further into the marketing of cotton—you would rather get out, if you can still do that, and protect the producers?

Mr. MURPHY. That is right. I would not want to leave the impression that the private enterprise system does not perform any part of its function at the present time, because it does.

Mr. MORRISON. There is no question about it.

Mr. MURPHY. But the extent to which we intervene and interfere with it is very considerable, and I get nervous about it from time to time.

Mr. MORRISON. It was my impression that there was nothing else to do on your part.

Mr. MURPHY. It is just a situation that has grown up, incidental to the price support system.

Mr. MORRISON. And it would just, so to speak, be something that was dumped in your lap and you had to go ahead and abide by the law and the regulations and perform your duty. That is, in that regard. On the other hand, if you could more or less have the same protection for the producers and let private enterprise perform the function of selling cotton domestically and abroad, you have no objection to that, as a matter of fact, from what you just said, the Department would welcome it.

Mr. MURPHY. That, I think, is right.

Mr. MORRISON. Fundamentally, you are not trying to get in the selling trade in the cotton business—you are trying to get out of it?

Mr. MURPHY. That is right.

The CHAIRMAN. Mr. Dole.

Mr. DOLE. I know very little about skip-row planting but assume the same purpose is served in skip-row planting as in summer fallow practices by wheat producers. You increase the production on the remaining acres. I was wondering for the record if you might have the different benefits producers are entitled to, that is, the farmer who does summer fallow compared to the cotton producer who does skip-row planting.

Mr. MURPHY. We will be glad to provide it for the record. I think there is some comparability. How close that is, I think that we would need to study it a little bit. We will be glad to furnish that.

The CHAIRMAN. Thank you very much, Mr. Secretary. We will be pleased to have that for the record.

(The information referred to follows:)

The relation between acreage diversion and the yield of wheat and feed grains. Frequently diversion of wheat and feed grain acreages result in increased acreage of fallow which in turn results in some increase in yields of these crops in the following year.

Mr. MURPHY. Thank you, Mr. Chairman. I would like to say again I appreciate not only this opportunity, but the other opportunities I have had to appear before this committee. I would like, if I might, to offer for the record, at least for your consideration—whether you would want to include it in the record or not I do not know—part of a monthly review of the cotton situation by the International Cotton Advisory Committee. It has to do with competing fibers and promotion. It is a subject of very general interest. I think this is one on which there will be almost universal agreement among people who are interested in cotton. I believe it would be useful if this would be given wider circulation. So if I may, I will leave it with the clerk.

The CHAIRMAN. Leave it with the reporter, and we will decide later whether to put all of it in the record or a part of it.

Without objection it will be made a part of the record.

(The information referred to follows:)

COMPETING FIBERS

The phenomenal growth of the man-made fiber industry, which has been a prominent feature of the post-Korean period, continued unabated during 1964, and further inroads were made in cotton's traditional markets. World consumption of all textile fibers during 1964 increased by 6.3 percent over 1963 to an all-time record level. Of equal significance, however, has been the longer term shifts in interfiber usage. The average rate of increase in total fiber consumption over the past decade (1954-64) has been roughly 4 percent a year, but the average annual rate of increase for cotton has been barely 2 percent. Conversely, rayon consumption has risen at a rate of 5 percent per year, while the availability of synthetics, though on a smaller base, has increased by nearly 25 percent annually during this time. Thus, in the span of only 10 years, cotton's share of the total fiber market has declined by 10 percent to an alltime low of 61 percent in 1964. Both rayon and synthetics has shared in this erosion of cotton's markets, but the bulk of the loss has been to the synthetics, which now account for well over 10 percent of world fiber usage.

Practically all of the upsurge in man-made fibers has occurred in the developed countries, which are, at the same time, the traditional producers of cotton textiles. It was not unexpected that intensive research and development in man-made fibers would take place in these areas, because of their advanced technical methods and availability of capital.

In the United States, consumption of man-made fibers in 1964 reached a record 1.4 million metric tons, or about double the 1958 level. Here too, for the first time, aggregate production of synthetic fibers in 1964 far surpassed the production of rayon and acetate, although both registered substantial increases over 1963 rates. Furthermore, when converted to a cotton equivalent basis, production of man-made fibers in the United States in 1964 actually exceeded the consumption of cotton in that year. A major reason for the success of the man-made fibers in the United States has been their tremendous advantage in the areas of research and promotion. Large technical research programs have resulted in the development of a wide range of versatile fibers and fiber properties, and this technology is constantly being refined to suit the preferences of sophisticated consumers. At the 16th annual meeting of the American Textile Manufacturers' Institute, in March 1965, an industry spokesman predicted that by 1968 the production of man-made fibers in the United States would total 1.9 million metric tons—an increase of 36 percent over 1964 levels. If realized, this would

mean an annual output of noncellulosic fibers alone of well over 1 million tons in 1968. By contrast, only 258,000 tons of noncellulosics were produced in 1958. Significant too, was the prediction that these anticipated gains would be primarily in “second generation fibers,” meaning improved and refined versions of existing nylons, acrylics, polyesters, etc., as opposed to the laboratory development of completely new fibers.

TABLE 18.—World manmade fiber production

[Thousands of metric tons]

Year	Rayon and acetate			Noncellulosic				Grand total
	Yarn	Staple	Total	Yarn	Staple	Glass fiber	Total	
1950.....	874	738	1,612	54	15	11	80	1,692
1951.....	963	856	1,819	76	27	16	119	1,938
1952.....	831	772	1,603	92	37	19	148	1,751
1953.....	947	937	1,884	113	45	25	183	2,067
1954.....	926	1,101	2,027	141	54	30	225	2,252
1955.....	1,048	1,234	2,282	179	84	34	297	2,579
1956.....	1,026	1,359	2,385	197	109	44	350	2,735
1957.....	1,057	1,417	2,474	249	157	50	456	2,930
1958.....	958	1,322	2,280	265	152	47	464	2,744
1959.....	1,086	1,435	2,521	349	228	67	644	3,165
1960.....	1,125	1,470	2,595	420	289	80	789	3,384
1961.....	1,134	1,545	2,679	500	335	68	903	3,582
1962.....	1,201	1,657	2,858	638	443	86	1,167	4,025
1963.....	1,232	1,830	3,062	777	555	87	1,419	4,481
1964 ^{1 2}	1,313	1,957	3,270	966	714	¹ 90	¹ 1,770	¹ 5,040

¹ Preliminary.
² Data on world production of textile glass fiber during 1964 are not yet available.
Source: Textile Organon.

TABLE 19.—World noncellulosic fiber production and production capacity by type of fiber

[1,000 metric tons]

Type	Actual production, 1963	Estimated production capacity, December 1965
Acrylic.....	215	439
Nylon.....	733	1,147
Polyester.....	261	506
Others.....	122	249
Total.....	1,331	2,341

Source: Textile Organon.

Figures for 1964 are not yet available for all of Western Europe but, based on known data for several major countries, the story is generally the same: a modest improvement over the previous year in cotton consumption but a much greater proportionate increase in availability of manmade fibers, particularly synthetics. Over the longer term, the shift to manmade fibers is much more pronounced. For example, in the United Kingdom, during the 1954–64 decade, available supplies of manmade fibers increased by two-thirds, while at the same time, consumption of cotton declined by 40 percent. For Western Europe as a whole, the level of cotton consumption in 1964 was practically unchanged from that of 1954, but rayon consumption was up by 40 percent. The most amazing increase, however, has been in the consumption of noncellulosic fibers—from only 39,000 tons in 1954 to nearly half a million tons 10 years later.

Similarly, in Japan, cotton consumption last year increased by 6 percent over 1963, but this was completely overshadowed by a 40-percent increase in synthetic

fiber production. Consumption of rayon in this country has barely held steady over the last 5 years and, in fact, is now somewhat lower than the rates prevailing in the mid-1950's.

In both Japan and the United States, consumption of synthetic fibers now accounts for more than 20 percent of total fiber consumption, compared to about 15 percent for Western Europe and 10 percent for the world. According to the Textile Organon, estimated world production capacity by December 1965 will be 2.34 million metric tons. This would be about one-third higher than actual production of these fibers in 1964.

In the less developed countries of the world, consumption of manmade fibers has been increasing over the past decade, but the quantities involved still are but a fraction of total fiber usage in these areas. There are several reasons for the relatively slow growth rate for competing fibers in these areas. First, the less developed countries are primarily in tropical or subtropical areas, where moisture absorption is important and where frequent washing requires a high standard of fabric durability. Cotton is greatly preferred on both of these counts. Secondly, cotton is a major agricultural crop in many of these countries, providing local income as well as foreign exchange earnings. In view of this government policies where possible would naturally tend to favor cotton over competing fibers.

TABLE 20.—*Textile fiber consumption*

[In thousands of metric tons]

Area and year	Total	Cotton	Wool	Rayon and acetate	Other man-made fibers	Cotton's percentage
UNITED STATES						
1957.....	2,792.6	1,818.3	161.0	540.3	273.0	65.0
1958.....	2,648.0	1,744.5	148.6	496.7	258.2	65.9
1959.....	3,003.4	1,952.9	138.8	570.2	341.5	65.0
1960.....	2,897.0	1,890.0	171.4	475.5	360.1	65.2
1961.....	2,885.2	1,842.8	171.9	489.0	381.5	63.9
1962.....	3,120.9	1,890.8	178.8	546.6	504.7	60.5
1963.....	3,185.4	1,819.9	171.9	606.7	586.9	57.1
1964 ¹	3,449.1	1,938.3	148.8	655.0	707.0	56.2
WESTERN EUROPE						
1957.....	3,177.2	1,673.5	644.8	758.1	100.8	52.7
1958.....	2,906.2	1,547.8	577.8	673.3	107.3	53.2
1959.....	3,048.9	1,568.1	614.7	715.7	150.4	51.4
1960.....	3,310.6	1,693.6	630.5	763.7	222.8	51.2
1961.....	3,302.3	1,673.9	623.8	758.2	246.4	50.7
1962.....	3,320.2	1,600.7	625.8	777.4	316.3	48.2
1963.....	3,447.8	1,597.3	630.7	853.8	396.0	45.9
1964 ¹	-----	1,608.0	-----	-----	-----	-----
INDIA						
1957.....	1,049.5	984.4	11.0	53.4	.7	93.8
1958.....	996.5	938.8	10.5	44.6	2.6	94.3
1959.....	1,028.7	962.7	4.8	57.0	4.2	93.6
1960.....	1,035.9	964.2	5.4	61.7	4.6	93.1
1961.....	1,112.3	1,037.8	4.8	67.6	2.1	93.3
1962.....	1,133.8	1,049.7	6.1	72.7	5.3	92.6
1963.....	1,084.8	1,000.2	6.8	68.5	9.3	92.2
1964 ¹	-----	1,103.2	-----	67.0	9.0	-----
JAPAN						
1957.....	1,153.6	607.1	85.4	419.1	42.0	52.6
1958.....	922.3	500.4	73.2	303.5	45.2	54.3
1959.....	1,116.1	567.4	108.4	361.9	78.4	50.8
1960.....	1,291.6	670.5	127.6	379.4	114.1	51.9
1961.....	1,465.5	790.0	147.5	383.6	144.4	53.9
1962.....	1,320.5	654.7	134.9	357.7	173.2	49.6
1963.....	1,407.3	666.7	137.0	377.8	225.8	47.4
1964 ¹	1,550.0	706.4	140.6	385.2	317.8	45.6
WORLD						
1957.....	13,600	9,310	1,360	2,474	456	68.5
1958.....	13,570	9,550	1,276	2,280	464	70.4
1959.....	14,761	10,150	1,446	2,521	644	68.8
1960.....	15,239	10,360	1,495	2,595	789	68.0
1961.....	15,177	10,090	1,505	2,679	903	66.5
1962.....	15,406	9,880	1,501	2,858	1,167	64.1
1963.....	15,986	9,990	1,515	3,062	1,419	62.5
1964 ¹	17,000	10,450	(1,510)	3,270	(1,770)	61.5

¹ Preliminary.

Finally, textile industries have been established with a view to meeting a large part of the local demand for textiles. These industries to a large extent, utilize indigenous cotton, and thereby serve the twofold purpose of meeting local needs and, at the same time, conserving foreign exchange.

On balance, therefore, it is likely that the growth rate of manmade fibers in the less developed areas of the world will, in the foreseeable future, continue to be relatively slower than has been the case in the more industrialized countries.

Elsewhere, there are numerous factors which have contributed to the continuing advance in the use of manmade fibers and the steady losses that have occurred in cotton's traditional markets. Price, of course, is a key issue, but not all or even most of cotton's problems can be attributed solely to this factor. Substantial reductions in cotton prices to mills this season undoubtedly revitalized the U.S. textile industry and resulted in a marked increase in cotton consumption; nevertheless, in the calendar year 1964, there were proportionately greater increases in consumption of both rayon and synthetics in this country. Price factors are usually of greater relevance within the area of cotton/rayon competition, but where cotton competes for markets with the higher priced synthetics, other considerations, such as technological factors, fiber properties, qualitative considerations, etc., are generally more important.

TABLE 21.—*Annual rates of increase in fiber consumption*

[Percent change from previous year]

Calendar year	All fibers	Cotton	Wool	Rayon	Synthetics
1954-----	+4.2	+4.1	-3.1	+7.6	+23.0
1955-----	+5.2	+3.0	+3.7	+12.6	+32.0
1956-----	+4.7	+3.8	+7.8	+4.5	+17.8
1957-----	+3.4	+2.3	+2.9	+3.7	+30.3
1958-----	-.2	+2.6	-6.2	-7.8	+1.8
1959-----	+8.8	+6.3	+13.3	+10.6	+38.8
1960-----	+3.2	+2.1	+3.3	+2.9	+22.5
1961-----	-.4	-2.6	+7	+3.2	+14.4
1962-----	+1.5	-2.1	-.3	+6.7	+29.2
1963-----	+3.8	+1.1	+9	+7.1	+21.6
1964 ¹ -----	+6.3	+4.6	-.3	+6.8	+24.7

¹ Preliminary.

Source: Adapted from ICAC's Cotton—World Statistics, vol. 18, No. 8, p. 138.

Technological improvements have not been confined exclusively to the non-cellulosics, as witnessed by the increasing use of high wet strength rayon and the development of 'stretch' properties in fibers, which are especially adaptable to cotton in many apparel lines. Also, the wide acceptance today of blended fabrics has favored the manmade fibers over cotton and wool, and has created a "multifiber industry" concept.

In addition to price and technological factors, a vital force in the strategy of the manmade fibers industry is its vast expenditure on research and promotion. In the field of research, this industry is constantly striving to produce something new and more appealing than its competitors, and to maintain its research development in anticipation of consumer demand. While cotton can justly claim its share of achievement in the realm of research, the relatively small amount spent for this purpose is a limiting factor on any material improvement in its competitive position. Similarly, expenditures on behalf of cotton promotion have been only a fraction of those spent to advertise the merits of manmade fibers. Realizing this, efforts are currently being made to conclude an International Cotton Promotion Agreement among cotton exporters. Initially, promotion efforts would be concentrated in Western Europe and Japan, where competition from other fibers is the most intense and where any increase in consumption would have a favorable effect on the level of cotton trade.

The CHAIRMAN. Next on our list of witnesses is the Missouri Cotton Producers Association, Mr. Hilton Bracey, executive vice president, and Mr. George Shelby, Jr., president, who are constituents of our colleague, Mr. Jones.

Will you all come around, please?

Mr. JONES of Missouri. Before they come around, I might say that Mr. Bracey is the executive vice president of the Missouri Cotton

Producers Association and I think is well qualified to speak on the cotton industry. And Mr. Shelby is a skip-row farmer, also, and he might be able to answer some of your questions.

The CHAIRMAN. Before we go into that, I would like to say that we only have a very few minutes remaining. I hope that the committee will stay as long as it can. The House will be in session at 12 o'clock. I wonder if any of you could file your statement, and not make a verbal presentation.

Let us go off the record.
(Discussion off the record.)
The CHAIRMAN. On the record.
You may proceed.

**STATEMENT OF HILTON BRACEY, EXECUTIVE VICE PRESIDENT;
ACCOMPANIED BY GEORGE SHELBY, JR., PRESIDENT, MISSOURI
COTTON PRODUCERS ASSOCIATION, PORTAGEVILLE, MO.**

Mr. BRACEY. Mr. Chairman and members of the committee, the enactment of H.R. 8149 would be most unfair to individual cotton producers and most unwise insofar as the future of the entire cotton industry is concerned.

The bill would reduce the national cotton acreage allotment from 16 million to 14 million acres. There are two major objections to such a course. First, it would signal foreign producers that we are going to continue to make the supply adjustment for the entire world. Cotton acreage in this country has been reduced some 49 percent since 1949, the last year prior to production controls after World War II. Concurrently, free world acreage of cotton has increased by 7 percent.

Free world cotton acreage
[1,000 acres]

	1949	1964	Percent change
Total free world.....	59,465	63,816	+7
U.S. share.....	27,439	14,058	-49

In 1949 cotton acreage in the United States was 46 percent of the total in the free world. In 1964 it was 22 percent of the total.

Free world cotton production
[1,000 bales]

	1949	1964	Percent change
Total free world.....	26,892	37,695	+40
U.S. share.....	16,128	15,173	-6

In 1949, cotton production in the United States was 60 percent of the total in the free world. In 1964, it was 40 percent of the total. Cotton production in the free world has increased 40 percent while U.S. production has decreased 6 percent.

We have been called upon repeatedly to make the supply adjustment for the entire world. At the same time, we have seen foreign production increase—even encouraged by our own Government through various economic development and foreign aid programs.

Exhibit No. 1 (below) shows foreign free world consumption and production, the average rate of increase for the period 1955-64 and the trend projected to 1972. This exhibit shows consumption increasing at an average annual rate of 2.9 percent and production increasing at an average annual rate of 4.3 percent. The projection shows that with a continuation of present trends, consumption and production will come into balance in 1970. In effect, this exhibit shows that if we continue to follow current acreage and pricing policies, we will be completely out of the export market in 5 year's time, and be producing only for the domestic market. Such a course would spell disaster to our cotton industry and could mean a mortal economic blow to the Cotton Belt as a whole. A further reduction in the national acreage allotment as required in H.R. 8149 is unthinkable.

The second major objection to a reduction in the national acreage allotment is that it would compound current inequities in the distribution of individual acreage allotments. Individual producers in some one-half of all cotton counties, where surplus acreage is available through the release and reapportionment provision, would take no cut at all while producers in areas where surplus acreage is not available would be forced to absorb the full impact of the acreage cut.

Exhibit No. 2 (below) shows, for example, that 14.2 percent of the 1964 acreage allotment in Alabama, 16.1 percent in Georgia, 23.7 percent in North Carolina, and 12.6 percent in South Carolina was unwanted by individual producers and was released as surplus and then reapportioned to other producers in the same States as "bonus acreage." In all instances this "bonus acreage" went to producers who had already received their proportionate or fair share of the national acreage allotment.

In States and counties where the unwanted or surplus acreage would exceed the proposed 12.5 percent reduction in the national acreage allotment, there would be no cut in allotments at the farm level. This fact means that individual producers in the States mentioned above and in some one-half of all counties in the Cotton Belt, would not be affected by a reduction in the national allotment as proposed in H.R. 8149. The reduction in the national allotment would have to exceed the amount of unwanted or surplus acreage available before the individual producer would be affected.

The point was made here this morning that the surplus acreage release to the State committee was from 473 of the 1,000 cotton counties in the Cotton Belt. In other words, some 473 to 600 counties out of 1,000, in those there are no acreage allotments at this time and would not be under H.R. 8149.

Each year since the release and reapportionment provision was enacted in 1959 some 1.5 million "bonus" acres have been passed out "free of charge" to individual producers in some areas of the Cotton Belt. A great many producers have actually received and are still

receiving cotton allotments in excess of the planting histories on their farms prior to production controls. Without exception the "bonus" acreage is over and above the individual producer's proportionate or fair share of the national acreage allotment. Where producers receive "bonus" allotments they do nothing whatsoever to earn price support protection. Yet, thousands of them now qualify as domestic allotment producers and actually get higher price support protection than do other producers who are forced to absorb severe acreage restrictions.

In effect, H.R. 8149 would subtract the "bonus" acreage from the allotments of producers who happen to live in areas where such acreage is not available. The more than \$100 million annual cost of this provision cannot be justified in any sense and it is especially unfair and distasteful to the producer who first of all sees such acreage subtracted from his allotment and then is forced to help pay the bill as a taxpayer. The allocating of "bonus" acreage to farms not only provides preferential treatment to producers benefiting therefrom; it defeats the very purpose of the supply management program. H.R. 8149 would compound and extend this special interest and self-serving feature which should be eliminated entirely in fairness to all cotton producers and the taxpaying public.

Early in January of this year the U.S. Department of Agriculture officially recognized the abuses now prevalent under the release and reapportionment provision. As a result, on January 25, 1965, State offices issued directives to all counties setting limits on amount of "bonus" acreage that could be allocated to an individual producer. Exhibit No. 3 (below) would have limited such "bonus" acreage to the higher of 33 acres or 50 percent of the cropland on a farm beginning with the 1965 crop. This directive stayed in effect exactly 3 days. Exhibit No. 4 issued on January 28, 1965, as a result of political pressures from areas receiving such preferential treatment, changed the 50 percent of cropland limit to 75 percent. Now some producers are permitted to receive "bonus" allotments equal to 75 percent of the cropland on their farms while other producers are forced to plant within allotments that have been reduced 40 percent since 1960.

As cotton producers we depend upon both domestic and foreign markets. We cannot hope to maintain efficient cotton-producing units if we are denied free and complete access to either of these outlets. Under the stimulus of competitive prices through the equalization payment provision of the Agricultural Act of 1964, cotton's downward trend in the domestic market has been halted and reversed. Unfortunately, however, the reverse is true in the export market. The requirement that the domestic subsidy rate and the export subsidy rate be maintained at the same level, regardless of freight rate differentials and situations and conditions in the world market that are completely unrelated to normal functions of the domestic market, has for all practical purposes tied the hand of the Secretary of Agriculture and nullified section 203 of the Agricultural Act of 1955 which states:

Quantities of cotton shall be sold as will reestablish and maintain the fair historical share of the world market for U.S. cotton.

We are convinced that lagging export sales during the current marketing year which are running 1.5 million bales behind the 5-year average just prior to the 1964 act, will continue to decline as indicated in exhibit No. 1 unless something is done and done quickly to provide pricing flexibility in the world market. It is abundantly clear that flexibility is required in both pricing and sales program if we are to (1) hold and stand any chance of increasing export markets for our cotton; (2) keep costs to the Government within reasonable limits; (3) ease the heavy pressures to further reduce price support levels to farmers producing the bulk of the cotton crop; and (4) forestall further reductions in basic acreage allotments.

We trust that our recommendation for more flexibility in export pricing and sales methods will not be interpreted as a recommendation to raise the domestic price level. It is not. We feel that it would be extremely dangerous and shortsighted to undo what has been accomplished in the domestic market under the 1964 act. On the other hand, we urge that it would be equally dangerous and shortsighted not to recognize and make provisions for differences in situations and conditions between export and domestic markets.

The Agricultural Act of 1964 and H.R. 8149 fail to recognize that the real difference or inequity between domestic and foreign prices is the delivered price of U.S. cotton at the domestic mill door as opposed to the delivered price of U.S. cotton to the foreign mills. The difference has never been, is not now, nor is it likely in the future to be exactly the same. There is an average added cost of at least 3 cents per pound or \$15 per bale in transportation costs, insurance, brokerage fees, and other charges that foreign mills must pay to get U.S. cotton that is over and above the price paid by domestic mills.

Exhibit No. 5 shows that the most recent monthly average price of U.S. cotton, cost, insurance, and freight, Liverpool, was 27.5 cents per pound for Middling 1. To this price a mill at Brussels, for example, must add at least another 100 points or 1 cent per pound to cover costs between the dock and the mill door. The Brussels mill then would end up paying 28.5 cents per pound for our cotton, or about 5 cents per pound more than our domestic sales price. This exhibit clearly shows that the price of U.S. cotton in world markets is considerably above the domestic sales prices, and further that the world price has increased since enactment of the 1964 act providing for a so-called one-price system.

The present program does not and H.R. 8149 would not provide a one-price system because they both ignore freight rate differentials and other costs that are part and parcel of our marketing system. Freight rate differentials have always been reflected in both the CCC loan level and the market price of cotton within the continental United States. This is why the loan rate on cotton in the mill area of North Carolina is some 1½ to 2 cents per pound higher than it is in California. Freight differentials as well as other transit charges are a part of our marketing system.

These charges are just as real and just as much a part of the marketing system between domestic and foreign points as they are within

our domestic boundaries. Yet, they are ignored under the 1964 act and would continue to be under H.R. 8149.

Mr. Jones made the point that the importation of textiles which was supposed to have been limited under the 1965 act have actually increased since the act went into effect, last year.

Legislation is necessary to separate domestic and export pricing policies. This is a fact that we must face squarely and honestly if we are to stand any chance of staying in the export market. A legislative change is imperative if the Secretary is to be expected to do the things that must be done to save a significant portion of the export market for our cotton. The cotton industry and the general public cannot afford to accept the alternatives.

The domestic allotment provision could be made much more effective and meaningful if the special protection provided for the 15-acre producer were oriented toward reduced rather than continued plantings. As we understand this provision of H.R. 8149, it would permit a producer to receive the domestic allotment payment regardless of whether the allotment is planted. We support and applaud this approach. We favor special protection for the small producer, but we see no reason at all why he should be forced to grow cotton which we certainly don't need in order to qualify for program benefits. If the 15-acre producer were permitted to receive the domestic allotment payment without growing cotton, it would (1) reduce production, (2) decrease program costs to the Government, and (3) even more importantly, it would benefit the allotment holder, himself.

He would not be forced to give it away free of charge.

Cotton producers in areas without "bonus" allotments are in no position to absorb further price cuts under prevailing economic conditions. H.R. 8149 has a "built-in" reduction for such producers. The proposed authority to increase payments to 15-acre producers and producers planting within their domestic allotments to 25 percent above the loan level would trigger a reduction in the loan level itself. This is what happened when the payment rate was increased and the loan level decreased for 1965. Regular allotment producers not benefiting from "bonus" acreage cannot afford a further price cut of one and a half cents per pound as built into H.R. 8149 even at present acreage levels, and to have it coupled with another acreage cut would be unbearable.

To eliminate the current requirement that costs of storage and other carrying charges be paid by holders of payment-in-kind certificates incurred after the PIK certificates has been issued for 30 days as provided by H.R. 8149 would force the Government to absorb such charges, and would not be in the public interest. We are opposed to this provision.

Exhibit No. 6 compares H.R. 8149 with the provisions of the Agricultural Act of 1958 which will become effective with the 1966 crop if no new cotton legislation is enacted. While we do not advocate a return to the 1958 act, we offer this comparison to show the advantages and disadvantages of such a possibility. It would be far better for all concerned, in our opinion, to go back to the 1958 act than it would be

to continue in a direction that is driving us completely out of the export market, and promises nothing more than lower prices and lower allotments to producers.

For the cotton producer, the cotton industry, and the economy of the Nation, we recommend:

1. That all special interest and self-serving (except for small farmer) features in the present program be eliminated or adjusted to insure equitable treatment to all producers and to get back to the original concept of acreage allotments and price supports.

(a) Skip-row plantings or the spreading of allotments over more than the producer's proportionate or fair share of the national acreage allotment cannot be justified without proper adjustments for production increases due to such plantings. Skip-row planting is a cultural practice only if each acre is counted as an allotted acre. There are no special acreage allowances when a producer puts on extra fertilizer, or performs other practices to increase quality or yields of cotton per acre. To permit a special acreage allowance for skip-row planting simply means preferential treatment to producers with situations especially adaptable to this particular practice. Proper adjustments for increased yields from the skip-row practice would (1) recognize the intent and purpose of acreage controls, (2) help bring surpluses of cotton under control, (3) decrease costs of cotton programs to the Government, (4) ease pressures to reduce both acreage and price to producers above the 15-acre level, and (5) enhance equitable treatment of producers under the acreage control program.

We endorse the proposed changes in skip-row plantings rules for cotton as listed by the U.S. Department of Agriculture in the Federal Register on April 22, 1965, but we urge that the Department should make full allowances for increased yields rather than the proposed partial adjustments.

Exhibit No. 7 (below) shows that adjustments for increases from skip-row plantings should be considerably higher than the 30-percent allowance for a 2 by 2 pattern, for example, as proposed by the Department. This will show you that the allowance should be closer to 60 percent rather than 30 percent.

As the skip-row practice is a matter of personal choice on the part of the individual producer, we urge that there should be no element of encouragement in the choice to continue a practice that nullifies the intents and purposes of acreage controls, and which, if permitted to continue, would in a short period of time force all commercial producers to adopt this abnormal farming practice regardless of their individual situations. Proper adjustments could be made through administrative actions.

(b) The release and reapportionment provision should be repealed. As we have stressed in this statement, "bonus" allotments over and above the individual producer's proportionate or fair share of the national allotment cannot be justified. Legislation is needed to eliminate this inequitable provision.

Unregulated skip-row plantings and unlimited bonus acreage through the release and reapportionment provision account for some 2.5 million bales of production each year in violation of the intent

and purpose of the acreage control and price support program. This production is costing the taxpayer in excess of \$150 million each year, and is primarily responsible for the current critical supply situation.

As Mr. Murphy said yesterday, and I believe repeated this morning, if these two practices were eliminated it would not be necessary to be thinking today about a cut in the national acreage allotment itself.

2. That necessary flexibility in export pricing policies and programs be provided with the urgency of the situation in mind to permit and direct the Secretary to do the things that must be done if we are to stand any chance of staying in the world market.

Legislation is required to untie domestic and export pricing policies, and programs be provided with the urgency of the situation in mind to permit and direct the Secretary to do the things that must be done if we are to stand any chance of staying in the world market.

Legislation is required to untie domestic and export pricing programs. The current domestic price level should be maintained and export prices and programs should be permitted to fluctuate as circumstances and conditions warrant to the end that a fair historical share of the world market is insured for U.S. cotton.

3. That special protection for the small producer be oriented toward reduced rather than continued plantings. A continuation of the requirement that a producer grow cotton to maintain allotment history or to receive program benefits cannot be justified. Small producers should be identified as those receiving a certain portion of their income from farming in order to disqualify hobby farmers and other non-farmers who now are eligible for special treatment under the small-farm provision. Special treatment should be limited to one-farm unit or contract to prevent holders of several contracts from receiving special benefits on each of them. Legislation is necessary to correct the present situation.

4. That title V of H.R. 7097 to authorize a long-term cropland adjustment be enacted. This program is needed to conserve soil and water resources and to provide more latitude to the producer in making production adjustments.

5. That title VI of H.R. 7097 to permit sale and lease of allotments be eliminated as it would change the entire concept of acreage allotments. It would in effect base allotments on the financial condition of producers, intensify inequities in distribution of allotments, aggravate the supply management program, and put additional costs on the taxpaying public.

The changes or modifications which we are recommending could be expected to (1) provide equitable treatment to all producers, (2) reduce production by up to 4 million bales annually, (3) reduce costs to the Government by \$250 million to \$400 million annually, (4) increase markets for cotton, and (5) maintain net farm income levels to all basic allotment producers.

With these changes or modifications and proper administrative procedures which we are confident the U.S. Department of Agriculture would provide, we could look forward to expanding markets and a healthy farm economy at a minimum cost to the taxpaying public.

(The exhibits 1 through 7 inclusive follow:)

EXHIBIT No. 1

Mil. Bales

Foreign free world cotton consumption and production, average annual rate of increase 1955-64 and trend projected to 1972

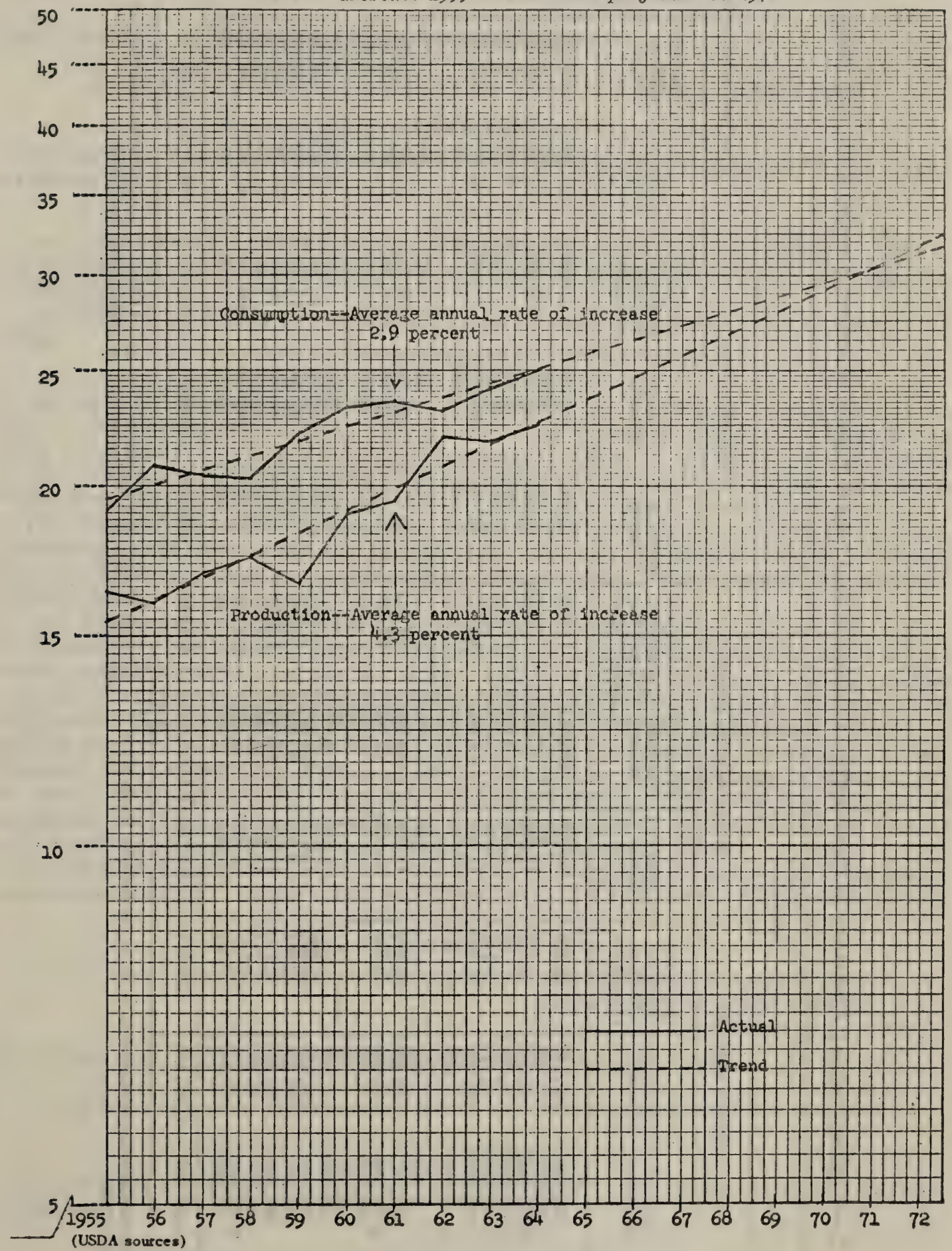


EXHIBIT No. 2.—Upland cotton: Summary of "unwanted" or released and reapportioned allotment acreage, 1963 and 1964

	1964						1963					
	Released acreage			Reapportioned acreage			Released acreage			Reapportioned acreage		
	Original allotment	Total acres released	Acres surrendered to State committee	Number of farms	Total acres reapportioned	Acres apportioned by State committee ¹	Number of farms	Total acres released	Acres surrendered to State committee	Number of farms	Total acres reapportioned	Acres apportioned by State committee ¹
Alabama.....	969, 059	137, 240	18, 106	30, 216	135, 913	17, 897	27, 092	168, 163	27, 006	29, 935	166, 937	26, 913
Arizona.....	331, 750	1, 256	-----	421	1, 256	-----	151	2, 389	-----	564	2, 389	-----
Arkansas.....	1, 327, 048	47, 581	9, 572	11, 900	47, 358	9, 572	6, 899	53, 974	12, 607	12, 100	53, 662	12, 607
California.....	737, 039	5, 049	46	2, 334	5, 000	-----	639	6, 513	-----	3, 245	6, 495	-----
Florida.....	35, 604	5, 418	742	888	5, 378	742	1, 094	7, 316	1, 369	876	7, 267	1, 369
Georgia.....	835, 276	134, 679	45, 466	16, 424	131, 663	45, 347	18, 036	139, 828	41, 606	16, 842	136, 041	41, 522
Illinois.....	2, 995	540	-----	42	540	-----	130	648	-----	42	634	-----
Kansas.....	7, 192	241	-----	189	238	-----	243	533	33	185	520	33
Kentucky.....	567, 227	49, 470	20, 709	11, 048	49, 308	20, 702	8, 137	61, 134	23, 266	11, 039	60, 864	23, 266
Louisiana.....	1, 550, 208	93, 016	28, 996	26, 068	92, 342	28, 755	17, 927	119, 052	39, 904	27, 667	117, 873	39, 842
Mississippi.....	1, 356, 550	1, 200	87	651	1, 184	87	339	1, 457	132	982	1, 452	127
Missouri.....	3, 522	32	-----	11	32	-----	-----	-----	-----	-----	-----	-----
Nevada.....	171, 403	2, 952	-----	1, 137	2, 946	-----	245	2, 385	4	1, 139	2, 385	4
New Mexico.....	460, 902	106, 758	37, 228	13, 765	104, 185	37, 188	22, 981	104, 130	41, 761	10, 963	99, 594	41, 018
North Carolina.....	751, 158	99, 298	22, 461	9, 510	97, 917	22, 060	7, 020	83, 094	18, 311	8, 496	81, 848	18, 310
Oklahoma.....	685, 405	88, 225	22, 713	14, 023	84, 982	22, 669	13, 816	94, 887	25, 307	15, 706	91, 559	25, 292
South Carolina.....	547, 174	19, 937	2, 743	12, 877	19, 860	2, 710	5, 908	22, 849	1, 968	11, 845	22, 676	1, 968
Tennessee.....	6, 832, 347	725, 728	267, 557	63, 474	715, 187	265, 237	36, 232	718, 049	269, 360	64, 213	703, 447	268, 570
Texas.....	17, 203	1, 826	98	802	1, 821	98	640	2, 051	108	651	2, 048	108
Virginia.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
United States.....	16, 189, 084	1, 520, 446	476, 524	215, 780	1, 497, 110	473, 064	167, 529	1, 588, 452	502, 742	216, 490	1, 557, 691	500, 949

¹ Allocation to counties of the allotments surrendered to State committee from other counties for reapportionment to farms. Source: Policy and Program Appraisal Division, Agricultural Stabilization and Conservation Service, U.S. Department of Agriculture, July 1964.

EXHIBIT No. 3

U.S. DEPARTMENT OF AGRICULTURE,
MISSOURI STATE ASCS OFFICE,
Columbia, Mo., January 25, 1965.

To: Chairmen, ASC County Committees (cotton counties only)

RELEASE AND REAPPORTIONMENT OF COTTON ACREAGE ALLOTMENTS

1. PURPOSE

To furnish dates and guidelines for reapportioning released cotton acreage to farms.

2. DATES

- (a) The closing date for releasing cotton allotment will be March 1, 1965.
- (b) The closing date for making application for released allotment will be March 1, 1965.
- (c) The closing date for reapportioning released allotment will be March 10, 1965.

3. GUIDELINES

(a) A written application for an increase in the farm allotment must be on file in the county office by the closing date. A verbal request made within the time limit may be validated by subsequently filing a written request where it is conclusively shown that the applicant was prevented from making a written request within the time limit due to conditions beyond his control.

(b) The effective allotment for a farm to which released allotment is reapportioned shall not exceed the larger of 33 acres or 50 percent of the cropland for the farm. Further, the effective allotment shall not exceed the cropland on any farm.

(c) The acreage reapportioned to committeemen's farms shall not be greater in proportion to the total acreage reapportioned than the original allotment on such committeemen's farms is to the total original allotment on all farms receiving reapportioned acreage. For example, if the original allotment on applicable committeemen's farms receiving reapportioned acreage is 10 percent of the original allotment on all farms receiving reapportioned acreage, the applicable committeemen's farms shall be limited to a maximum of 10 percent of the total reapportioned acreage. Committeemen's farms for the purpose of applying this guideline means farms owned, operated, or controlled by county and community committeemen or employees of the county office.

The reapportionment of cotton allotment to farms of county and community committeemen and county office employees shall be reviewed by farmer fieldmen.

EXHIBIT No. 4

U.S. DEPARTMENT OF AGRICULTURE,
MISSOURI STATE ASCS OFFICE,
Columbia, Mo., January 28, 1965.

To: Chairmen, ASC County Committees (cotton counties only)

GUIDELINES FOR REAPPORTIONMENT OF COTTON ACREAGE ALLOTMENTS

1. PURPOSE

To furnish a revision in guidelines for reapportioning released cotton acreage allotment.

2. REVISION

Shown below is the text of a telegram from our Washington office. Please cross reference paragraph 3B of Notice 1-CN 65-12 to show this revision.

"b. The effective allotment for a farm to which released allotment is reapportioned shall not exceed the larger of 33 acres or 75 percent of the cropland for the farm. Further, the effective allotment shall not exceed the cropland on any farm.

"Please advise counties of this change and incorporate in overall standards and guidelines established by the State committee.

"Handbook 1-CN is being amended to include procedure covered by notice.

"If there are no changes in the law pertaining to release and reapportionment of allotments, it is likely that the above percentage will be reduced to 66.7 percent for the 1966 crop."

Prices of specified qualities and growths of cotton, monthly averages, generally prompt shipment, c.i.f. Liverpool, 1962-63, to 1964-65
[In U.S. cents per pound]

COTTON

Year and month	Middling 1-inch		Strict Middling 1½-inch						Extra-long staple			
	United States, Orleans-Texas	Pakistan, 289F Punjab SG	United States, Memphis territory	Mexico	Syria	Iran	Nicaragua	Greece	Sudan		Peru, Pima No. 1 1½-inch	Egypt, Menoufi FG
									G5L	G5S		
1962-63												
August.....	28.30	33.60	30.47	28.97	28.88	29.19	29.11	29.22	35.07	36.71	37.97	41.06
September.....	28.03	32.27	30.25	28.44	28.56	28.56	28.57	28.75	34.84	36.68	38.71	40.65
October.....	27.91	30.73	30.29	28.42	28.81	28.89	28.17	28.93	35.09	36.90	37.91	40.64
November.....	27.66	30.08	30.02	28.78	29.31	29.91	28.38	29.28	35.24	36.82	38.64	40.62
December.....	27.89	28.55	30.61	29.62	29.39	30.08	29.13	29.35	35.33	36.80	38.84	40.65
January.....	28.16	28.92	31.18	29.85	30.29	30.64	29.65	30.19	35.34	36.81	39.07	40.67
February.....	28.29	28.03	31.68	29.69	30.91	30.89	29.39	30.82	34.87	36.68	39.71	40.65
March.....	28.60	28.98	31.96	29.46	30.47	30.36	29.23	30.64	34.84	36.66	39.70	40.63
April.....	28.59	28.82	31.98	29.13	29.90	29.83	29.25	30.26	35.18	36.70	38.80	41.14
May.....	27.26	29.47	29.32	28.99	29.07	28.94	28.66	29.36	35.26	36.87	37.91	40.67
June.....	27.21	28.64	29.40	28.98	29.15	29.19	28.65	29.23	35.25	37.55	37.52	40.92
July.....	27.15	28.27	29.46	28.96	28.88	29.02	28.44	28.90	35.30	37.73	37.74	40.91
Average.....	27.92	29.70	30.55	29.11	29.47	29.63	28.89	29.40	35.13	36.89	38.54	40.77
1963-64												
August.....	26.80	28.57	29.16	29.18	28.67	28.70	28.31	28.65	35.19	37.70	38.55	41.56
September.....	26.58	28.25	28.98	29.48	28.58	28.57	28.02	28.39	35.15	37.66	39.54	41.84
October.....	26.54	28.21	28.98	29.27	28.45	28.62	27.94	28.34	35.78	38.50	39.14	43.35
November.....	26.58	28.50	29.17	29.19	29.50	29.32	28.20	29.12	37.40	39.64	39.53	44.52
December.....	26.66	29.25	29.29	29.31	30.02	29.87	28.47	29.67	37.31	40.03	39.60	44.83
January.....	26.77	29.11	29.46	29.75	30.43	30.02	28.61	29.96	37.66	40.57	40.44	44.82
February.....	26.93	28.97	29.74	29.73	30.61	30.39	28.73	30.26	37.96	40.81	41.70	44.83
March.....	27.05	28.57	29.91	29.70	30.83	30.83	28.89	29.82	39.03	-----	43.61	45.68
April.....	27.17	27.35	30.14	29.58	28.86	30.90	29.02	30.20	43.96	-----	47.26	48.27
May.....	27.14	28.22	30.11	29.75	28.86	30.90	29.09	30.83	45.58	50.43	47.20	49.44
June.....	26.94	27.12	29.82	29.91	28.84	29.71	29.05	30.88	45.78	50.43	46.78	49.40
July.....	26.86	27.37	29.52	29.43	28.82	29.33	28.74	30.11	45.69	51.10	46.53	48.97
Average.....	26.84	28.29	29.52	29.52	29.37	29.76	28.59	29.69	39.71	42.69	42.49	45.63
1964-65												
August.....	26.94	26.75	29.62	29.20	29.27	29.16	28.48	29.62	45.01	51.11	47.80	48.84
September.....	26.86	26.81	29.60	29.40	29.35	29.02	28.43	29.59	44.58	51.84	47.45	50.45
October.....	26.89	27.19	29.65	29.30	29.18	29.33	28.42	29.51	44.31	50.75	46.73	52.08
November.....	26.94	27.59	29.74	29.09	29.00	29.47	28.10	29.56	44.20	50.03	46.44	52.09
December.....	27.14	29.40	29.94	29.15	29.19	29.42	28.21	29.84	44.19	48.85	44.54	52.68
January.....	27.27	29.37	30.01	29.14	29.52	29.08	27.86	29.89	44.19	48.41	43.47	52.68
February.....	27.40	31.37	30.06	29.36	29.71	29.29	27.49	30.06	43.26	47.77	42.96	52.77
March.....	27.42	32.03	30.04	29.33	29.62	29.60	27.42	30.03	40.15	46.92	40.48	52.72
April.....	27.49	33.07	30.12	31.44	29.59	29.71	27.80	30.06	40.19	46.13	40.75	52.77

¹ Section 1 : International trade and production. Section II : Major producers and traders price.

EXHIBIT No. 6

COMPARISON OF COOLEY COTTON BILL AND AGRICULTURAL ACT OF 1958

ACREAGE

14 million acres. Decrease of 12.5 percent at national level, but greater at farm level on farms with acreage higher than small farm minimum.

ACREAGE

16 million acres. Would maintain farm allotments at current level.

PRODUCTION

14.5 million bales. 0.5 million bales less than 1964 crop due to increased participation in domestic allotment provision. Includes continuation of skip-row plantings, and release and reapportionment "bonus" acreage.

PRODUCTION

13.5 million bales. 1.5 million bales less than 1964 crop if USDA exercises existing authority to eliminate or adjust skip-row plantings, and takes action to prevent abnormally high allotments through operation of release and reapportionment. No legislative action is required.

PRICE

Likely be a total of 33 cents to producers cutting back to domestic allotment level (about 67 percent of regular allotment) and 15-acre producer. Price of 27.5 cents is indicated for regular allotment producers.

PRICE

Likely be at least 30 cents to all producers as there is no authority to divide producers into classes or categories. All producers would plant regular allotments and receive same price support.

OFF-TAKE

Domestic.—Probably near 9.3 million bales, about 800,000 bales above 5-year average immediately preceding so-called one-price program * * * same as current marketing year.

Export.—Probably less than 4 million bales, about 1.5 million bales less than 5-year average immediately preceding so-called one-price program * * * same as current marketing year.

Total off-take.—13.3 million bales.

OFF-TAKE

Domestic.—Probably near 8.5 million bales, slightly less than 5-year average immediately preceding so-called one-price program * * * about 1 million bales less than maximum that could be expected under Cooley bill.

Export.—Probably at least 6 million bales, slightly higher than 5-year average immediately preceding so-called one-price program, and some 2 million bales higher than could be expected under Cooley bill.

Total off-take.—14.5 million bales.

FARM INCOME

\$1,920 million (USDA estimate based on current so-called one-price program).

FARM INCOME

\$2,272 million (USDA estimate).

COST TO GOVERNMENT

\$1 billion (based on actual costs of similar program during current marketing year).

COST TO GOVERNMENT

\$350 million (based on 6-million bale exports and previous experience, if exports were less, cost would drop proportionately).

CONCLUSION

Cooley bill could be expected to produce 1 million bales more and move 1.2 million bales less cotton than would a return to the Agricultural Act of 1958. The Cooley bill would also cut acreage 12.5 percent at the national level (more at farm level), reduce farm income \$352 million, and cost the Government \$650 million more as compared with the 1958 act.

NOTE.—If no cotton legislation such as the Cooley bill is enacted, the Agricultural Act of 1958 will become effective with the 1966 cotton crop.

EXHIBIT No. 7

Increases in yields of cotton per allotted acre from 2 by 2 skip-row planting pattern:

Georgia Experiment Station, Experiment, Ga., shows a 3-year average increase of 39 percent.

Delta Branch Experiment Station, Stoneville, Miss., shows a 3-year average increase of 49 percent.

Arizona research centers show:

Marana station—3-year average increase of 74 percent.

C.R.C. station—3-year average increase of 62 percent.

Yuma station—3-year average increase of 61 percent.

Red River Valley Experiment Station, Bossier City, La., shows a 2-year average increase of 58 percent.

Auburn University Experiment Station, Auburn, Ala., shows a 3-year average increase of 45 percent.

The CHAIRMAN. We thank you very much, Mr. Bracey. Your statement will be certainly considered by the members of the committee.

Mr. BRACEY. Thank you, sir.

The CHAIRMAN. Mr. Jones, do you want to ask some questions?

Mr. JONES of Missouri. First, Mr. Shelby may have some additional statement to make.

There is no question that he is an outstanding and efficient farmer and as I say has practiced skip-row planting and he can tell us anything about that that he desires to say. He is one of the most successful cotton farmers in my district.

The CHAIRMAN. Do you want to make a brief statement?

Mr. SHELBY. Yes.

The CHAIRMAN. Will you please proceed?

Mr. SHELBY. Mr. Chairman and members of the committee, there has been quite a bit said about skip-row planting already today. I would just like to bring out a few points.

I skip-row plant my farm and I will continue to skip-row plant it as long as you people will let me do it. And it is simply because I can spread 40 acres of my cotton allotment over 80 acres and obtain a substantial increase in cotton production from the allotted 40 acres.

The CHAIRMAN. You know that the skip-row proposition is not directly involved in this bill, unless the Secretary authorizes it. It is involved in the regulations of the Department. I am talking about skip-row planting now. I understand that it is up to the executive branch of the Government, unless somebody proposes an amendment to the proposed bill to authorize it.

Mr. JONES of Missouri. The only reason that I brought this up—the only reason that skip-row and release and reapportionment was brought in was that we fear that they want to reduce the national acreage allotment and that if you would eliminate those two practices that there would be no point in having this.

The CHAIRMAN. I think that you have made your point very clear in the testimony up to now, so that we understand it. If you have any additional statement that you want to present, you can file it in the record. And you may have permission to do so if you should like.

Mr. SHELBY. Thank you.

The CHAIRMAN. I do not want to cut you off. You said that you were planting skip-row and wanted to use that practice as long as permitted.

Mr. SHELBY. I would merely say that in my judgment we do not have nearly all of the cotton that we would like to grow, that is, the allotted acres. It is a way that we can raise more cotton. And we would rather eliminate the skip-row, certainly, than to have our base acreage reduced. That was the point that I wanted to make.

The CHAIRMAN. I will put this into the record, too.

On January 1, 1963, we had only slightly more than 1 million bales of cotton in storage at a cost of \$166,179,000. Now, from this last report that we have, we have 13,211,000 bales with a Government investment of \$2,068,000,000. That situation seems to us as one that we must do something about or the whole program might very well collapse. The inventory is enormous, and this is a vast investment of money. We have that in addition to other commodities. What we are trying to do here is reduce that. I am sure that the committee will welcome the views of all parties on this subject.

We thank you very much.

Mr. SHELBY. Thank you, Mr. Chairman.

The CHAIRMAN. I understand that Mr. Reuben Johnson has some people here. How many people do you have here?

Mr. NAMAN. My name is Jay Naman, and I am president of the Texas Farmers Union of Waco, Tex. I am speaking in place of Mr. Reuben Johnson.

The CHAIRMAN. I understand that you have several witnesses here.

Mr. NAMAN. I have 14 Texas farmers here who cover 3 general large growing areas in Texas. I am from Waco, Tex.

The CHAIRMAN. How long will it take you?

Mr. NAMAN. I want to make my comments as briefly as I can.

There are three growing areas represented here. I would like, if it pleases the committee, to have one person make a statement of 5 minutes from each one of these areas.

The CHAIRMAN. Let us do it that way, then.

The bells will be ringing again very soon.

STATEMENT OF JAY NAMAN, PRESIDENT, TEXAS FARMERS UNION, WACO, TEX.

Mr. NAMAN. Mr. Chairman and members of the committee, let me say that we had a unity meeting jointly called by the Farmers Union day before yesterday, and we agreed that the approaches, the concepts in your bill, H.R. 8149, have much merit. And our testimony makes recommendations as to improvements on your bill.

I will not go over these recommendations. You have a copy of them before you. We feel that we would prefer not having a cut in the permanent acreage. We would prefer making or placing the emphasis on the diversion program. I will be glad to go into detail on that if the committee wishes, but I would like to introduce those who are present and then to call on the representative of the various producing areas to present a short statement.

There is present, in addition to myself, Leon Denana, of Bremond, Tex.; A. T. Garrett, of Rosebud, Tex.; Clarence Wolf, of Burlington, Tex.; Kenneth Moss, of Paducah, Tex.; Forest Cremer, of Paducah, Tex.; Ed Crowder, of Dodson, Tex.; Mas Carriker, of Roby, Tex.; Floy Mitchell, of Roby, Tex.; Jimmy Wright, of Roby, Tex.; Bob Loughton, of Hale Center, Tex.; Charles N. Plowden, of Summerton,

S.C.; Jim Robinson, Quitaque, Tex.; Joe Pate, of Lubbock, Tex.; and Chester Borders, of Levelland, Tex.

And I will first call on Mr. Carriker of Fisher County Farmers Union of Roby, Tex.

(The prepared statement of Jay Naman follows:)

TESTIMONY OF NATIONAL FARMERS UNION, PRESENTED TO THE SUBCOMMITTEE ON COTTON, RECOMMENDING A COTTON PROGRAM

(1) A cotton program to terminate at the same time that other commodity programs in the 1965 farm bill will terminate;

(2) Provide that, in lieu of a cut in the national minimum acreage allotment of 16 million acres, producers who plant within their domestic allotments will receive not less than 100 percent of parity (41 cents);

(3) A one-price system for cotton which permits U.S. mills to buy cotton at a price paid by overseas competitors is desirable and should be continued. Farmers Union supports the provision of the Cooley bill, H.R. 8149, to protect the prices and income of U.S. producers. We recommend the following specific provisions to accomplish the objectives of protecting the income of cotton producers:

A. Producers income should be protected between a support range of 75 to 100 percent of parity.

B. The basic support loan will be established at 75 percent of parity and will be the price received by farmers who plant their full base-acreage allotment.

C. Producers who plant within their domestic allotment will receive an equalization or incentive payment reflecting the difference between the basic support loan rate of 31 cents per pound or 75 percent of parity and 41 cents per pound or 100 percent of parity.

D. In keeping with the concept spelled out in the Cooley bill, producers would have alternatives as follows:

(a) Selling cotton and receiving the current market price, receiving an equalization payment to reflect the difference between such price and the level of return for which he is eligible, or

(b) Placing cotton in the loan at the basic support loan rate of 75 percent of parity and if he is a producer who has planted within his domestic acreage allotment, receiving an equalization payment which together with the basic support loan, reflects 100 percent of parity return.

(4) Preserve the 16-million-acre national allotment set by existing law;

(5) Provide that, if the Secretary is unable because of lack of funds or for other reason to provide the levels of combined support authorized for cotton, then price-support loans shall be made available for such cotton between 100 and 75 percent of the parity price;

(6) The basis on which price support is calculated to be reestablished at seven-eighth inch middling beginning with crop year 1965;

(7) Authorize a method of factoring reallocations of cotton acreage so that when a one-bale-to-the-acre allotment is transferred to two-bale-to-the-acre production areas only one-half of the allotment will be transferred;

(8) The cotton program should be made a part of the 1965 farm bill;

(9) We strongly urge that the 10-acre minimum below which no producer will be cut be preserved and that skip-row planting be permitted.

The CHAIRMAN. We will be glad to hear your statement, Mr. Carriker.

STATEMENT OF MAX CARRIKER, PRESIDENT, FISHER COUNTY FARMERS UNION, ROBY, TEX.

Mr. CARRIKER. Mr. Chairman and members of the committee, I am Max Carriker, a cotton farmer from Roby, Tex.

I am president of Fisher County Farmers Union, a member of the executive committee of Texas Farmers Union, and a member of the

board of directors of the Rolling Plains Cotton Growers Association, but today I speak primarily for myself, my neighbors, and the people of Fisher County, Tex.

Since others in my party will address themselves to the specifics of the particular bill before you, I would like, with your permission, to confine my few remarks primarily to the question of the use of the skip-row practice in cotton. Although the bill before you does not touch this subject, prior testimony has dwelt on it somewhat, and the members of the committee have seemed to indicate a keen interest on the subject.

In this light we feel it appropriate that some interested individual speak in defense of this very sound cultural practice, the use of which is so vital to the economic survival of so many.

We want to urge Congress and the USDA not to search for a regional whipping boy, as an answer to curtailing cotton production.

Would Washington, next, either by regulation or law, disallow application of irrigation water, then next fertilizer, then weed control, then insect control, and so on down the line until each proven cultural practice has been forbidden because it demonstrably adds to production? I think not.

Skip-row is just another proven cultural practice, profitable in some areas and others not. We in the dryland rolling plains derive no appreciable benefit from fertilizer but we beg that Washington not punish the producers in those areas that do.

We who practice skip-row merely devote extra cropland to the production of an acre of cotton. True, this makes more natural rainfall available to each individual plant just as irrigation makes more water available to each individual plant. But in the application of our practice, we accrue certain significant benefits to other commodity supplies.

We beg that we not be forced back into heavy grain sorghums production and we beg that we not be thrust further into beef cattle production, thus adding the weight of our numbers to the boom and bust cycle of that industry.

In defense of the continued allowance of this practice, I would draw your attention to the brief data sheet I drew yesterday afternoon that is headed "Effect of Skip Row on U.S. Cotton Production."

Gentlemen, this is the first one that you have a copy of. I drew the figures from the data presented by Secretary Murphy in his testimony yesterday and today. This is the only source of these figures that I presented. It merely shows what has happened in U.S. cotton production the first year before skip-row was allowed and during the 3 years that it has been allowed.

Now, skip-row is practiced heavily only in the Southwest. Eighteen percent of the producers of the Southwest use this practice and only 3 percent of the producers in all other cotton-producing areas use it. To draw it down more specifically, it is extremely heavily used in certain sections of the Southwest, my home county of Fisher in the rolling plains of Texas, where they use it 100 percent.

In 1964, if there was a single acre of cotton planted not in some type of skip-row I do not know about it. So we are not talking, when we talk about skip-row, about a few producers in each community across the Cotton Belt. About 80 percent across the Cotton Belt, if

you average it altogether. We are talking about all of the producers in some certain communities who are vitally dependent on it.

Now I have gathered a little dab of statistics from the farmers in my home community at Roby. We called a public meeting hurriedly when we learned the proposal had been made to eliminate skip-row planting, and we asked them to write down in signed statements what would happen on their individual farms and I have submitted a compilation of those findings that these farmers have signed.

And by the way, I have their signatures right here. They have asked me to present them to the committee. I would like for you to look at them at your leisure and pass them around among you. Keep them for the record, if you desire.

The CHAIRMAN. Please present them to the reporter.

Mr. CARRIKER. These are the signed statements. These are not hand-picked 122 farmers just because they used skip-row planting, because you could not pick 122 farmers in Fisher County, that is, any one of which did not use skip-row. They all do. Not a single one does not. We have to have it, gentlemen. We do not fertilize. We do not have water to irrigate. We must use this practice.

I would point out, first, as to the effects of cotton production as was shown in Mr. Murphy's presentation yesterday the last year in which skip row was not allowed, in 1961, the production in the Southwest—and this is the area that uses skip-row planting—was the highest—that is, it was the highest it has been since—much higher than the 3 years in which skip row has been allowed. If we consider these figures in a vacuum and they are the only ones that Mr. Murphy presented on this subject we would conclude that the skip row reduces production. Of course it does not. Weather conditions have brought these figures about that we have, but I do not think that we have any conclusive proof of just how much skip row as a practical matter increases production. Oh, yes; experimentally, we can show and provide that it increases a certain percentage on each acre, but as a practical matter in the 3 years it has been practiced and allowed we can only conclude that it has added nothing because of weather conditions which have offset it, because when you try to find out how much skip row adds to the national production, you naturally go to the areas that use skip row. This is the Southwest. The balance of the Nation, only 3 percent of the farmers use it. You go to the Southwest and you discover paradoxically that our production has gone down, gentlemen. So there is no conclusive evidence that skip row adds, I believe the figure was somewhere around 900,000 bales. There is no conclusive evidence of this. You can extrapolate from the report of an experimental station that probably it would, but as a practical matter it has not.

I do not come before you purporting to say that it does not add to production. I come to you to say that we in the rolling plains of Texas absolutely have to have it. My neighbors have said so in their statements, and if you will look at the second brief data sheet you will see what they have said. They have said that they would average adding 124 acres per farm of grain sorghum if skip row were curtailed.

They said that they would add an average of 18 head of beef cattle per farm if skip row were curtailed—61 percent felt that their financ-

ing would be more difficult to obtain. And 35 percent felt that there would be no financing available to them whatever if skip row were curtailed; 58 percent felt that the present income would be impossible to maintain. And 37 percent felt that they would be forced off the farm.

I am not talking about price or anything else, but skip row.

As to other practices used, these people do not use fertilizer, 2 percent, and none of them irrigate. And if you take these figures and extrapolate them across 1 single county you will discover that we would produce 150 million pounds in additional grain sorghum with curtailed skip row. And we would add 12,000 head of beef cattle in numbers to an already burdened industry.

Gentlemen, I thank you for the opportunity to appear. Cotton farmers have always universally demonstrated a willingness to accept fair and equitable cuts when they were shown it was necessary. We ask that you use the powers of your office to prevent the drainage of the lifeblood of one region at a time when we know your hope and intent is to maintain and bolster the opportunities of all.

Thank you.

(The tables follow:)

Effect of skip-row practice on U.S cotton production ¹

[In thousands of bales]

Production year	Total U.S. production	Southwestern production	All other production
1961.....	14,318	5,155	9,163
1962.....	14,867	5,027	9,830
1963.....	15,334	4,753	10,481
1964.....	15,180	4,609	9,771

¹ Figures taken from data presented to the committee with testimony by Under Secretary of Agriculture Murphy on May 25, 1965.

NOTE.—18 percent of southwestern growers use skip row; 3 percent of growers in all other States use skip row.

EFFECT OF CURTAILMENT OF SKIP-ROW PRACTICE IN COTTON ON 122 FARMERS OF ONE CENTRAL WEST TEXAS COMMUNITY ACCORDING TO THEIR OWN SIGNED STATEMENTS

SWITCH IN COMMODITIES

- (1) Would add an average of 124 acres grain sorghum per farm.
- (2) Would add an average of 18 head cattle per farm.

OBTAINING FINANCING

- (1) 61 percent feel that financing would be more difficult to obtain.
- (2) 35 percent feel that financing would be impossible to obtain.

INCOME MAINTENANCE

- (1) 58 percent feel that present income would be impossible to maintain.
- (2) 37 percent feel that they would be forced off the farm.

OTHER PRACTICES NOW USED

Two percent use some fertilizer. None signing statements add irrigation water.

Extrapolation across a single dry-land Texas county indicates an increase in grain sorghums production in excess of 150 million pounds and increased cattle numbers in excess of 12,000 through the curtailment of the skip-row practice in cotton.

The CHAIRMAN. Thank you very much for your statement.

Mr. Naman, will you call your next witness.

Mr. NAMAN. Representing the south plains irrigated region, is Mr. Joe Pate, who would like to make a brief statement.

STATEMENT OF JOE PATE, LUBBOCK, TEX.

Mr. PATE. Mr. Chairman and members of the committee, I am aware that time is short and I shall be brief. I am from Lubbock, Tex., on the south plains. We produce approximately 2 million bales of cotton per year in that area. Cotton is our principal crop. Our economy is based on cotton and agriculture—85 percent of our economy is based directly on agriculture; 60 percent of the economy is based on cotton. This is our lifeblood. We have 2 million acres and produce approximately 2 million bales per year, a bale per acre.

We want to continue to produce this amount of cotton. We are against cutting acreage to 14 million acres. We feel there are other ways that are more effective in handling the situation; a vigorous sales program such as has been outlined by our friend from Missouri is in the right frame of thinking. If we must cut our production I propose that Mr. Poage's idea of a diversion plan similar to that for feed grains and corn, is in the right way of thinking, rather than cutting the base acreage.

According to our calculations if the allotments are cut to 14 million acres rather than suffering a 12.5-percent cut in acreage on the south plains, we will suffer approximately a 20-percent cut. This we feel is too drastic.

I propose that a minimum of 75 percent loan be established on our cotton. If a man produces his full allotment—if he desires to divert that he be given diversion payments similar to those on feed grains and corn; that we work harder toward trying to sell our cotton rather than thinking of a long-term continuously reducing acreage.

Thank you.

Mr. CALLAN. Could I ask one question?

The CHAIRMAN. You may.

Mr. CALLAN. What kind of yields do you get out of grain sorghum when irrigated?

Mr. PATE. Approximately 4,000 to 5,000 pounds per acre.

Mr. CALLAN. Thank you.

The CHAIRMAN. Thank you very much.

Will you please call your next witness?

Mr. NAMAN. From the Brazos Valley River, the president of the Brazos Valley Growers Association, Mr. Leon Denena, of Bremond, Tex.

STATEMENT OF LEON DENENA, PRESIDENT, BRAZOS VALLEY GROWERS ASSOCIATION, BREMOND, TEX.

Mr. DENENA. Mr. Chairman and members of the committee, I do not have a prepared statement, so I will not take very much of your time.

I want to go along with my friend, Joe Pate, in stating that I do not like to see the minimum acreage, the allotted acres cut to 14 million.

I would rather see it remain at 16 million acres and with such a program as Mr. Pate outlined or is outlined in our written statement.

I believe that we can cut the 2 million acres and possibly more if it was so desired by putting enough income into such a bill so that the farmers back home would be able to make a decent living.

There has been a lot of talk of holding up the income on the farm. I want to tell you that in our area, and in most of the areas of Texas, the people that I have talked to state that there is no income as we are operating at a loss and living off of depreciation. Our equipment is becoming depreciated out and it will not last very much longer. We need an increase and it will cost a lot of money. I am sure of that. I do not know where the money will come from, but if we cannot get this increase in income back to the farmers we are not going to be able to stay in the farming business.

There is another thing that I might want to add which affects not only we growers, it probably goes a lot further in our community. In our community we are going to lose population from our small towns. I believe the farm economy cannot survive; that is, the family-farm type farm or the privately owned farm, other than the corporate farm. It will end up killing most of your rural towns of less than 100,000 in population and it might have repercussions in the large cities, because if we are driven off of the farm we will have to go to the cities to try to find some way to make a living. Either the Government will have to support us by the poverty programs or else we will have to create more labor in the cities, and have more unemployment. So it is either handled here on the farm, keep us on the farm where we want to be in the first place, or you will end up with a Government burden anyway.

I thank you.

The CHAIRMAN. Thank you very much.

Will you please call your next witness?

Mr. NAMAN. I have some other testimony that I would like to put into the record, if I may, please.

The CHAIRMAN. Without objection, you may put it into the record.
(The statements follow:)

PEOPLES STATE BANK,
Turkey, Tex., May 24, 1965.

To Whom It Might Concern:

As a banker in this community I am in a position to know some of the many plights of the small cotton farmer. The price of cotton has been gradually reduced to a point that the small cotton farmer is unable to maintain a decent living for his family.

Farmers are constantly migrating to the cities, not because they want to but because they can't make a decent living on the farm, and most of them are not qualified for anything but common labor.

The prices of most farm equipment has increased to almost three times the cost in 1940, and the price of cotton has been reduced from 38 cents per pound to 27 cents per pound in the same period of time. The labor has risen about the same ratio as machinery, so you can readily see why the farmers are asking for a better price for cotton.

They are not only asking but it will be imperative if they stay on the farms the prices will have to be more.

Yours very truly,

HARRY BARNHILL,
President.

THE FIRST NATIONAL BANK,
Quitaque, Tex., May 24, 1965.

BRISCOE COUNTY FARMERS UNION,
Silverton, Tex.

GENTLEMEN : We just learned this morning that some members from your good organization who reside in this area will be making a trip to Washington within the next few days in connection with our farm program.

Speaking for our bank, as well as an individual farmer and a representative of this area, I certainly appreciate this representation from the Farmers Union in our behalf, for our farm program is in dire need of help now, if our farmers are to survive as an industry.

Probably at no time in recent years do we need farm legislation more than we do now. Prices are depressed for farm commodities, the acreage of cotton keeps lowering, and the support price reductions have about taken what profit there was out of our cotton. The area's financial condition as a whole is going down on a graduated scale, while industries other than farming keep rising.

You, of course, know all these things, but we did want you to know that we very much appreciate your time and efforts. We want you to know also that any information that you might wish to relay on to our Senators and Representatives will have our wholehearted consent and endorsement.

Sincerely,

O. R. STARK, Jr.,
Executive Vice President.

SUMMARY OF WHEELER COUNTY, TEX., FARMERS HOME ADMINISTRATION BORROWERS
FOR 1964 PREPARED FROM SUPERVISORS YEARLY WORKSHEET

Number of borrowers	49
Average number of acres operated	837
Average number of crop acres	327
Average amount of investment	\$16, 867
Average cash farm income	\$11, 567
Net cash farm income	—\$161
Average loss in net worth	—\$1, 146

Wheeler County FHA borrowers are above average in crop production for the county according to information obtained from county supervisor.

Prepared by Wheeler County Farmers Union :

NORBERT SCHLEGEL, *Chairman,*
BILLY CANTRELL, *Secretary.*

ROLLING PLAINS PRODUCTION CREDIT ASSOCIATION,
Stamford, Tex., March 22, 1965.

Mr. KENNETH MOSS,
Farmers Union,
Paducah, Tex.

DEAR MR. MOSS : Mr. Hill has requested that we send you the results of a survey we have completed on loans closed in the Stamford, Haskell, Spur, Munday, and Anson offices of this association. This survey includes the combined results of all financial statements completed on 1965 operating loans on which we had a 1964 financial statement with which to make a comparison.

We believe the information incorporated in this summary is self-explanatory. It is very significant to us that a total investment of \$32,699,823 was necessary in connection with these various operations, yet this investment together with the labor contributed by each of these operator resulted in a net gain of \$3,597.

Very truly yours,

R. C. COBB, *Assistant Manager.*

1964 :

Assets	\$31, 596, 290
Liabilities	7, 833, 638
Net worth	23, 762, 652

1965 :	
Assets-----	\$32, 699, 823
Liabilities-----	8, 933, 574
Net worth-----	23, 766, 249
Net change-----	3, 597
214 operators gained-----	845, 968
294 operators lost-----	842, 371
508 operators—net gain-----	3, 597
Percent operators who had a net gain-----	42
Percent operators who had a net loss-----	58
Average net gain-----	\$3, 953
Average net loss-----	\$2, 865
Average total investment for 508 operators-----	\$64, 370

STATEMENT OF FARMERS COOPERATIVE ENTERPRISES, INC., DODSON, TEX.

History records the great economic growth of the United States to its natural resources and the efficient development of them because they are our only source of new wealth. So long as the prices received from a sufficient quantity of our natural resources are on parity with our other economy, continued growth can be assured without undue Government deficit spending. In the campaign platform of our President Johnson, he promised a more equitable portion of our economy to agriculture. Many times in his campaign speeches, he made the statement, "Depressions are agriculturally bred and agriculturally fed." No truer words have been spoken.

So we representatives from the county locals of Texas Farmers Union want to report the economic conditions of the agriculture in our area and offer ideas to improve our farm programs.

Let us first look at the economic conditions of our farmers. I have a statement from a banker of an agricultural bank in Dodson, Tex., who is also an agent for writing farm loans for two strong insurance companies. He contributed to the expense of this trip and asked that I tell you that within the last 14 months he had written 30 farm loans in the amounts of \$881,300. These were not land purchase loans, but were increased loans to landowners to refinance so that they could continue their farm operations.

I will cite a few individual cases; one, a farm consisting of approximately 2,200 acres, being farmed by the owner. He grows wheat, feed, cattle, and fed cattle in a feedlot. He rented his 400 acres of irrigated cotton land out. This land had never been mortgaged. During this last year, a land mortgage loan was made to refinance his farming operations. Another instance of a farm of approximately 2,200 acres operated by the owner, who farmed irrigated cotton, wheat, cattle, and grain sorghum. This land had never been mortgaged and during this last year he obtained a farm mortgage loan through the Farm Home Administration to continue his farm operation. One farmer who owns 320 acres of land and rented approximately 2,000 more acres, irrigated cotton, wheat, and grain sorghum, during this last year lost three \$18,000 cotton-picking machines back to the implement company. Then in January, he had a farm auction sale and sold many thousands of dollars worth of row crop equipment at 40 to 50 cents on the dollar in order to keep his farm and curtail his operation. One renter farmer paid the Farm Home Administration everything he owned and all of his other debts in 1961. He bought some much needed new equipment through FHA loans and when credit was made available in 1963 he bought 400 more acres of land through FHA. Today on his land and on his equipment he owes more than \$87,000. You have occasion to know of the great increase in numbers of farmers who have been forced to turn to the Farm Home Administration for loans this year because farm banks were no longer able to finance their needs. Not since the 1930 depression has the farm economy been in such perilous condition.

There are those who are recommending and striving to increase corporate and syndicate farms, but the operations of our corporations and syndicates are having

to increase their prices on their products and services annually until it is putting our cost of living up each year on all their finished products. They can no more produce a sufficient amount of food and fiber to feed our Americans and the rest of the hungry world than the Government-run agriculture of the Soviet Union or other community farms of other countries.

You and we are told that our Government is pricing agricultural products out of the marketplace by supporting the prices too high. This is not true. In a recent speech made by Ford B. Draper, general director, Marketing Division, Textile Fibers Department of E. I. du Pont de Nemours & Co., Inc., he stated: "Manmade fibers have come up so far in 1964 their volume in pounds for the United States was just about two-thirds that of cotton. At the same time, their value was nearly twice that of cotton." He also said, "Producers of manmade fibers exceeded \$100 million per year in the early sixties and significantly higher today in research and promoting expenditures. I know because Du Pont is spending over half that figure in 1965."

Farmers cannot call a board of directors together and authorize promotion and research appropriations such as this, so we must depend on you, our legislators, to help support and protect our prices until we are able through promotion and research to meet this competition without natural products. Mr. Harold Hinn, president of the Harvest Queen Mill & Elevator Co., Plainview, Tex., stated in a meeting of the Panhandle Grain & Feed Dealers Association, May 8, 1965, that there has never been a nation able to produce such an abundance of food and fiber and have good and ample facilities for storing and preserving that abundance as we people of the United States through the efforts and support of our farm programs financed by our Government. Never have people been able to eat so good and be dressed so well on such a small percent of their earnings as the consumer in the United States.

You and we were told when our current farm program was being planned that if our textile mills and flour mills were subsidized to where they could get their raw materials at the same price it was being shipped in to export, they could move our surplus products into the market channels. After nearly a year of this program we find in the Wall Street Journal, May 20, 1965, the following quotation: "Cotton, 1-inch Middling, Thursday, at 31 cents per pound." A year ago it was 33.25 cents per pound. "Cotton print cloth, 80x80 count, 39 inch, per yard 21 cents." A year ago it was 18 cents per yard. In the same paper we find rayon satin acetate per yard 28.5 cents. A year ago it was 32 cents per yard. The mills bought this cotton at 21.25 cents per pound subsidy, letting them receive the cotton at approximately \$45 a bale cheaper than they did a year ago.

We are being told that we are producing an inferior grade of cotton that must have some synthetic blended with it to make an acceptable material, but the mills would not buy Middling 1 inch with a mike of 3.5 or better at anything above the Government loan.

At no time in our history has research in agricultural production paid such great dividends. Some are advocating that money for research be reduced and money that was designated for research under our current program has not been put to use. Dr. Earl H. Holister, director of research, High Plains Research Foundation, Plainview, Tex., in a report given to the Panhandle Grain & Feed Dealers Association, May 7, 1965, made the following statements: "Never had such great improvements been made in our agricultural products and cultivations with so little money as have been made in the last 6 or 7 years by our research programs."

Since the Government has been helping the agricultural economy they have tried several insurance plans to protect the farmer in case of complete failure. No program they have tried has achieved this objective, but one of the greatest insurances the farmer has today against complete crop failure is the skip-row planting program that even in times of extreme drought will help him to make some crop.

There are those that advocate that cotton acreage not be reduced and sometimes advocating to take all controls off of cotton acreage. These people are brokers, exporters, transportation people, storage people, and those who derive their income from the number of units handled, not from the prices they bring. Farmers realize that because of increased production per acre through efforts and economical procedure that they may have to take a reduction in acres in order to reduce our surplus and cut down on the expense of production because it costs about the same per acre to produce a half bale as it does a bale per acre.

We are being told that we have too many farmers and it seems that the plan

of elimination is to starve out enough to cut the number down. But most of the young farmers who have failed and had to quit farming, in our area, have gone to work at Pantex in Amarillo or some other Government-supported industry.

One other point I would like to make is "What are farmers doing to help themselves?" The first and oldest endeavor is cooperative processing plants for their products. Then they organized cooperative marketing associations and through such marketing associations as the Plains Cotton Cooperative Association of Lubbock, Tex., laboratories are mechanically testing cotton fibers that can accurately obtain truer spinning value of cotton than has ever been possible by human classing. We are hoping to, within a short time, be able to send a man with a briefcase and a numerical grading to our mills, and be able to show the true spinning value of whatever grades they need rather than have to depend on new samples being cut from the bale and sent to the buyers to be examined each time the bale of cotton changes hands causing our bales to be sampled as high as five or six times and costing \$1.50 for each sample to be added to the cost of marketing our cotton, also making our bale to be so ragged as to create a fire hazard and cause much of the cotton to be lost because of contamination as is now our market procedure. For a number of years farmers have supported our National Cotton Council with a per bale contribution to support their research and promotion program. It has been very inadequate in comparison with manmade fiber. We now have the Cotton Producers Institute, another research and marketing association supported by the farmers in order to sell their products. As I have said before, we cannot call together a board of directors and allocate great sums of money to promote adequate markets for our products, but by this we can slowly make progress in this direction as we educate our farmers to the need and opportunity that we have to support marketing programs. So until such a time as we are able to compete in this competitive program of selling and able to finance our crops in so short a marketing and hold it to market in the orderly fashion as needed throughout the year, we are going to have to depend upon you and request you, our legislators, to furnish us with a guaranteed support price that is above the cost of production and help us to sell our products not only domestically, but around the world to needy people.

[From the Congressional Record, May 17, 1965]

PROPOSED SKIP-ROW RULE CHANGE THREATENS RUIN FOR THOUSANDS OF
AMERICAN COTTONGROWERS

Extension of Remarks of Hon. Walter Rogers, of Texas, in the House of Representatives, Monday, May 17, 1965

Mr. ROGERS of Texas. Mr. Speaker, thousands of American cotton farmers will suffer a severe, and in some cases disastrous, economic blow if the Department of Agriculture places in effect its proposed rule change affecting cotton planted in skip-row patterns. The rule not only would result in reduced net income to cotton farmers but would bring the end to proven, sound conservation practices followed by a generation of Texas Panhandle and South Plain cotton farmers, as well as growers in many other areas of the Nation.

In addition, the new rule would disrupt current farming practices followed by grain sorghum producers in our Panhandle-Plains region, would serve to offset Government efforts to keep grain stocks in check, and would destroy the faith our farmers have in the wisdom of current farm policy objectives.

We are told that one of the objectives of current Agriculture Department policy is to provide opportunity for efficient family farmers to earn parity of income, that the Department seeks parity of income for all rural people, including new opportunity for small farmers. I find it impossible to reconcile these announced goals with the Department's proposed rule change affecting cotton when planted in skip-row patterns.

We are told that USDA officials feel that increased yields due to skip-row plantings have, in the words of a Department press release, "contributed substantially to the increase in cotton production." The Department does not state the obvious truth that other modern-day farming practices—including irrigation, improved fertilizers, and insecticides—also contribute to the increased productivity of the American cottongrower. But only skip-row planting prac-

tices are the target of the rulemaking authority the Department of Agriculture seeks to exercise.

What is proposed in the rule is a fundamental change in farming practices followed by thousands of farmers. For more than 30 years, since long before the Government first established a cotton program, planting cotton by skipping rows has been an established practice in the Texas Panhandle and South Plains, as well as other areas.

Skip-row planting has been a good and common practice in our part of the country because it is a practice that makes the best use of available moisture. The roots of the cotton plants are able to reach out to benefit from the moisture in adjacent skipped rows.

It is a good and common farming practice because it permits sunlight to reach the sides of the plants, cutting down on boll rot and improving the quality of the fiber.

It is a good and common practice because it enables our farmers to prevent damaging wind erosion, which threatens in late winter and early spring. Farmers are able to plant rows of grain sorghum in the skipped rows and thus check the wind by rows of standing sorghum stalks. This is a practice strongly endorsed by the Soil Conservation Service.

It is a good and common practice because it permits so-called interplanting, by which a farmer on irrigated land may plant alternate four-row strips of cotton and grain sorghum to the benefit of the quality of both crops. Estimates are that this practice adds from \$6 to \$12 per bale in the quality of cotton lint and seed. The sorghum strips, by holding the heat, permit the cotton to mature earlier at higher grade.

It has also been tied closely to the Government grain sorghum program, enabling the farmer to count as diverted acres under the grain sorghum program the fallow four-row strips between four cotton rows. The effect of the proposed new rule, with its system of measurement, would force present four-four skip-row patterns into an impossible pattern of four rows of cotton and five of fallow—in order for the fallow to count as diverted grain sorghum land. Present four- and eight-row farm equipment is obviously not built to accommodate such a scheme. Grain people are convinced that the effect of the skip-row proposal would be to encourage increased production of grain sorghum by farmers who now work that crop in conjunction with cotton.

The Department must give extremely careful consideration to this potential consequence.

The skip-row rule constitutes another damaging blow to an already depressed segment of American agriculture. Cotton supports have declined in 3 years to bring a reduction, in effect, of 30 to 40 percent of cotton farmers' net income after production expenses. The so-called cost-price squeeze has a very real meaning for the American cotton farmer, who now must face one more threat to his survival. The new rules are also causing considerable consternation, as they should, in local communities whose economies are dependent upon the fate of cotton farmers. The Commissioners Court of Childress County, Tex., for example, estimates that the imposition of the proposed rules would result in a \$1 million drop in income within the county.

By proposing rules such as this one, the Agriculture Department is seeking to attain the goal of a workable balance between supply and demand at the expense of thousands upon thousands of bankrupt cotton farmers and depressed economies in the communities which have served them. The full impact of trying to attain this balance is being visited upon that segment least able to absorb it.

In formulating the new rules, the Department of Agriculture is following a practice I find altogether too common in the departments and agencies of our Government. Instead of seeking a correction of what are viewed as problems by coming to the Congress to ask for new legislation, the departments seek first—in too many instances—to exercise their authority to make rules and regulations. They, in effect, are legislating, and by doing so are invading the ground granted to Congress by the Constitution. When rules are imposed, citizens by the millions are affected by regulations which their duly elected representatives had absolutely no part in formulating. In our system of Government, rulemaking authority should not be used to circumvent the expressed will of the Congress or to avoid the more time-consuming process of enacting legislation. When rulemaking authority is abused, the people can justifiably complain of rule by fiat, of power improperly exercised by unfeeling bureaucratic adminis-

trators. But action by the Congress, through legislation enacted into law, has the great strength of having been supported by majorities of representatives elected by the people.

In seeking the objective claimed for the proposed skip-row rule change, the Department has the alternative of coming to Congress for new cotton program legislation. The Department has as yet offered no proposals to the Congress affecting cotton, but when it does so it could very well incorporate into its request provisions that would make unnecessary any change in the skip-row planting rules.

The Department could, for example, make a strong case before the Congress for increasing the per-pound support payment on the domestic allotment for each farm, now placed at 4.35 cents per pound, to further encourage the voluntary cutback of cotton production. I am convinced that an increase of a cent a pound or more in this phase of the cotton program would result in a substantially higher degree of grower participation. This would have the effect of lowering Government cotton stocks, thereby cutting the cost of the cotton program.

I am convinced also that progress can be made, under renewed and more aggressive effort by the Department, to improve the cotton export picture.

All aspects of the matter deserve thorough and careful review, not only in the Department but also in the Congress. In this connection, I have joined with the distinguished chairman of the House Appropriations Committee, the gentleman from Texas, the Honorable George H. Mahon, to ask that the House Committee on Agriculture hold a public hearing to permit cotton growers to appear and protest the proposed action of the Department of Agriculture. With Congressman Mahon, I would join growers in appearing before the committee.

If the Department should follow through with a skip-row proposal and place the rule in effect, Congress must act to correct the situation. The proposed rule in punitive, defies sound agricultural practices, would destroy morale and confidence among farmers and rural people generally, and would threaten economic ruin for thousands and thousands of our farm families.

To Whom It May Concern:

OUR OBJECTIONS AND REASONS FOR PROPOSED CHANGES IN SKIP-ROW PLANTING RULES

This decision to reduce the benefits of skip-row planting at this time while the cotton farmers in this area are hard hit financially is very alarming. We in this area have used skip-row planting since the early thirties. It has been used for conservation of water and better weed control as well as to increase per-acre yield.

We believe that this action if carried out would greatly increase the planting of feed grains. Most skip-row planted acres have been taken out of feed grain production altogether. In Cottle County this year, there will be 24,000 acres planted skip-row in this fashion:

	Crop	Idle
Rows.....	2	1
	2	2
	4	4
	2	4

This means that there will be 48,000 acres of cropland of which approximately 24,000 acres would be devoted to other crop production and mainly to grain sorghum which is also a surplus commodity.

Farmers cannot continue to produce crops at current operating expenses including the purchase of farm equipment, employment of unskilled labor that have no other place except on the farm to sustain a livelihood, purchase of fuel, steel products, and rubber. Agriculture is the largest user of these products of any industry in the United States.

Loss of one farmer, even though the land is absorbed by a larger farmer means one less tractor, one less pickup, one less family familiar with production of crops in event of a national emergency, one more family either on relief, seeking welfare, or moving into areas where unemployment is a present problem.

The larger farmers who absorb this land do not absorb equipment or the family as farmworkers. This has a direct effect on national income and multiplied by the number of losses constitutes a national interest making it necessary to—

1. Maintain farm income.
2. Maintain the family-size farm.
3. Maintain a farm labor force in rural areas that would be available to serve farmers in the production of crops and earn a decent living for his family.

Any change in the present law allowing cotton and other base crops to be planted in a skip-row pattern and charged to the crop only that area actually occupied by the crop is a step toward making drastic reduction in the farmer's income.

During the past several years, since World War II, farmers have been more insistent and interested in higher education above the high school level for their children. Any further drop in income might well mean that these children would not obtain a higher education. If any change is made in the law used in 1964 and 1965, it would mean a direct drop in income of all farmers involved. If this proposed change is carried out, it would be a direct slap at the higher education of our farm youth, and this is surely not in keeping with the ideals of our Great Society.

(Drafted and presented by the cotton farmers of Cottle County, Tex.)

[For release in weekly newspaper of Thursday, May 27, 1965]

SENATOR RALPH YARBOROUGH'S NEWSLETTER

DEAR FELLOW TEXANS: I am unqualifiedly opposed to the proposed order by the Secretary of Agriculture which would have the effect of prohibiting skip-row planting of cotton.

Under present regulations, cotton can be planted in two rows, leaving the next two to four rows fallow, or planted in other crops, and then planting two more rows of cotton. Only the actual rows planted in cotton are now counted for acreage in cotton production.

The primary purpose of this skip-row method is to allow the plants to benefit from moisture and soil nutrients in the fallow land between the cotton rows. This has proven to be very effective in the dry lands in combating wind and water erosion, as well as growing a higher quality of cotton fiber.

Skip-row planting is a method of cultivation in these areas just as intensive irrigation and fertilization are the most economical ways in other cotton-growing areas with plenty of water.

Under the proposed regulation, all the area up to 64 inches in width between the rows of cotton will be considered devoted to cotton, even though the land is actually planted with some other crop.

This means that the real size of cotton allotments owned by skip-row growers will be reduced by over 30 percent, unless they plant cotton one row after another. But under this method, the land would deteriorate and the occurrence of soil and wind erosion would increase.

It is unjust and unfair to attack skip-row planting to reduce cotton production as it is only one of the reasons for increased production, along with irrigation, fertilizers, or pesticides.

I have strongly urged that the Secretary of Agriculture think seriously of his responsibilities to these farmers and withdraw the proposed rule changes relating to skip-row planting of cotton.

[From the Congressional Record, May 20, 1965]

SECRETARY OF AGRICULTURE ERRS IN TRYING TO END SKIP-ROW PLANTING OF COTTON IN DRYLAND AREAS

Mr. YARBOROUGH. Mr. President, tens of thousands of cottongrowers in Texas and many other areas of the Nation face severe economic loss and perhaps even disaster if the Department of Agriculture puts into effect changes which it proposes in the rules relating to skip-row planting of cotton.

This is a vast and diverse country with many different climates and types of soils. Methods of agricultural production suited to one type of weather condition and one type of soil may be completely inappropriate and economically unfeasible in another area. This is a fact which the Secretary of Agriculture, in proposing new rules for the planting of cotton, seems to have forgotten completely.

In the semiarid cotton-growing region of the Southern Plains most farmers use a method of planting cotton quite different from that used in the moist and heavily irrigated regions of the Southeast and the Far West. Instead of planting one row of cotton next to another across a whole field as is done in regions which have an abundance of water, the farmers in our dry lands use a system of planting two rows of cotton, leaving the next two to four rows fallow or planted to other crops, and then planting two more rows of cotton. The primary purpose of the skip-row method is to allow the plants to benefit from moisture and soil nutrients in the fallow land between the cotton rows.

Skip-row planting, however, has yielded other benefits to the cotton growers of the dry lands. Since most farmers use two-row cotton strippers, it requires less time, and equipment costs are lower in harvesting a skip-row field. A cotton stripper, furthermore, does a cleaner job, and less cotton is left in the field in skip-row areas than in fields where a skip-row system is not used. The fallow rows make the fields more resistant to wind and water erosion than if they were planted with cotton alone. Cotton growers using skip-row methods have also found that the fiber of the cotton so produced is of a very high quality and in high demand by our textile mills.

Skip-row planting has been in use in the Southern Plains since the days when the first cotton was grown in the area. This was long before the creation of the Agricultural Stabilization and Conservation Service, and even long before there was a cotton program. It has been used because it is the most economical and efficient way to grow cotton in the dry lands, and it effects soil conservation and protection against blowing of soil by wind. Skip-row planting is a method of cultivation in these areas, just as intensive irrigation and fertilization are the most economical and efficient ways in other cotton-growing areas.

Traditionally the Department of Agriculture has recognized these facts. Under present regulations, the Department of Agriculture has judged that in a skip-row field only those rows actually planted with cotton are to be counted as acreage engaged in cotton production. The fallow rows planted with other crops, often grain sorghum or other feed grains, have not been counted as being planted with cotton. Now the Department of Agriculture proposes to change its historic position and count fallow rows as being planted with cotton and force skip-row growers to change their patterns of planting from those which are suited to the climate of the dry lands and the machinery which most farmers now possess, to a system of planting which would be unsuited both to climate and machinery.

Under the new regulations proposed by the Secretary of Agriculture all the area up to 64 inches in width between the rows of cotton will be considered devoted to cotton production even though the land be planted with some other crop. This means that practically all skip-row patterns now used would be considered as solidly planted cottonfields. This is contrary to reality. The effect of this new regulation would be to decrease drastically the real size of the cotton allotments owned by skip-row growers. The amount of this reduction would be over 30 percent. In other words, the Secretary of Agriculture, by a stroke of a pen, is attempting to take away 30 percent of the cotton allotments—the very means of livelihood—of those using skip-row patterns of production.

In order to avoid this loss the skip-row farmer in the dry lands has the equally unattractive choices of giving up skip-row planting and planting the cotton row on row, one row after another, or else turning to a new pattern of planting which could meet the proposed regulations. To carry out the first alternative not only requires a larger quantity of water which is simply not available, but it is also a practice which would greatly deteriorate the land and vastly increase the occurrence of wind and soil erosion. In other words, this is an option that is neither realistic nor desirable. Carrying out the second option would force the skip-row farmers to use a pattern of planting which is totally unsuited to the machinery now used by them. To purchase new machinery would be very costly for all; for some it would be impossible.

The reason that the Department of Agriculture wants to change its rules is, as the USDA frankly admitted in a news release, because skip-row planting has

"contributed substantially to the increase in cotton production." But so has irrigation contributed to our cotton surpluses, as has the increased use of fertilizers, pesticides, and many other advances resulting from the research efforts of the Department of Agriculture. To attack skip-row patterns of planting because it has increased yields is about as nonsensical as attacking irrigation, the use of insecticides, or the use of fertilizers because they increase cotton yields.

Mr. President, this is an indefensible move by the Secretary of Agriculture to curtail cotton production by using his powers to issue regulations rather than taking the proper course of coming to Congress with a new program for cotton. Not only is such an approach to overproduction indefensible on constitutional grounds, it is also indefensible in terms of fairness and equity.

To attack skip-row planting is to attack cotton farmers in the dry lands. They simply cannot economically raise cotton in any other manner. They cannot, for example, irrigate because the water is just simply not there. Many farmers of the dry lands must, if they are to continue raising cotton, use skip-row methods of planting.

If this proposed rule change goes into effect, it would force many cotton-growers in the South Plains simply to give up growing cotton. Even for those farmers who do not give up, most would use the acreage that could no longer be taken up by their cotton allotments to grow other types of crops. In this area of the country, the only such crops for which allotments are not needed are feed grains. Such a move would cause even greater productivity of a type of crop which is now suffering from the problems of overproduction. No matter what course cottongrowers take, the rule changes, if they go into effect, will leave these farmers with a great deal of very expensive farm equipment which will be absolutely unsuitable to the patterns of growing which are permissible under the proposed rules.

Mr. President, the cotton farmer has suffered enough in the cost price squeeze of the last few years. Over the last 2 years cotton producers have taken a \$17.50 price reduction per bale. The margin of profit is getting smaller and smaller. Many of them in the dry lands are either just operating at a profit or making no profits at all. These proposed rule change could be enough to cause many of these farmers to no longer operate at a profit. The economic effect which such a calamity would have on Texas is depressing to contemplate. There would be many, many bankruptcies throughout the area. Many would be forced to leave their land and their homes and migrate to the cities where they would be unemployed and unemployable, where the money spent on welfare would be many times that spent on our farm programs.

Mr. President, our farmers are the backbone of our country. Keeping them on the land not only supplies our Nation with food and fiber of the highest quality, but through their effort we keep our land fertile and rich.

I strongly urge that the Secretary of Agriculture think seriously of his responsibilities to these farmers and withdraw the proposed rules changes relating to skip-row planting of cotton.

U.S. SENATE,
Washington, D.C., May 21, 1965.

HON. ORVILLE L. FREEMAN,
Secretary of Agriculture, Washington, D.C.

DEAR MR. SECRETARY: The proposed regulation changing the method of accounting for acreage allotments in skip-row cotton production will not be beneficial to either the farmer or the Nation.

The change is patently discriminatory against those dryland farmers who have developed this method of farming as both an efficient production method and also as a conservation tool. To attack their method of production is similar to attacking fertilization and the use of pesticides, for both are the result of better techniques in farming and increase production.

This change will have the effect of forcing many farmers to give up growing cotton, or of forcing them to make changes which will result in deterioration of land and soil and wind erosion.

I respectfully urge that a reevaluation of the costs and benefits of this proposed change be undertaken to insure that we fulfill our responsibilities to these farmers. I am taking the liberty of enclosing a more comprehensive statement on this subject, which I presented on the floor of the Senate May 20, 1965.

Sincerely,

RALPH W. YARBOROUGH.

CITY GARAGE & EQUIPMENT Co.,
Calvert, Tex., April 27, 1965.

To the Members of the House Agricultural Subcommittee:

SIRS: As an independent small business in an agricultural area, we are very concerned about the outlook of the current agricultural programs.

The economy of this business as well as the economy of this entire area is greatly affected by cotton. A good example of the effect of the drop in the cotton support price in 1964 is shown right here in our business. In 1963 with the cotton support price of 32½ cents a pound for Middling 1 inch we sold 25 new tractors in this Brazos Valley area. In 1964 under the same favorable crop conditions as 1963, but with a reduction in the support price on cotton to 30 cents a pound on Middling 1 inch, we sold only 11 new tractors. This kind of depression in the business economy of this Brazos Valley area was shown throughout the area in all businesses.

The business economy of this whole area, from Bryan to Marlin, is greatly dependent on the cotton farmer. The cotton farmer needs a cotton program which will insure him a fair return on his investment. Under the present program he faces the situation under which the price of all the product he must buy to operate are going up and the price of his product is going down. The cotton farmer will be ruined by this type of program and with him many small businesses, such as ours which service him, will be ruined.

We, therefore, ask for a favorable cotton program not only for the farmers of this area but for all the businesses of the area as well.

Sincerely,

WALTER C. WIESE III.

T. & T. IMPLEMENT Co.,
Bryan, Tex., April 30, 1965.

AGRICULTURE SUBCOMMITTEE,
U.S. House of Representatives, Washington, D.C.

GENTLEMEN: I am informed that your subcommittee is taking evidence from interested parties concerned with legislation under consideration affecting the cotton farming and allied interests, and I would like to give you an expression from this area.

There is a critical situation facing all of us in the business of farming, especially cotton farming, and I include this company in with those actually farming because, we, if possible, even more are dependent for our livelihood on farming than they are. Not only do we have to make this business succeed in competition with all other sellers and repairers of farm machinery, but no matter how good a job we do it will fail if the farmer's income is so seriously reduced he has less to spend or his credit is impaired, especially since his income has already suffered in relation to the rest of our population.

We have about 300 active farm accounts to which we sell and our gross sales run something over \$500,000 a year; our employees number 10 to 12. Granted this is a small business it is a representative one and locally there are three others about our size. Whatever the size, all of us will suffer from further reduction in farm income. When the support price of cotton was lowered in 1964 we felt it very materially in our sales and from talking to our customers we know it had a severe impact on them, compelling many of them to forego replacement of tractors and other equipment sorely needed. Thus the lessened income to farmers in this intensively farmed area, like the pebble thrown in the pond, ripples outward to affect implement people, ginners, seed concerns, chemical suppliers and manufacturers, tire and truck dealers, etc.

I hope that the serious and widespread impact which reduced farm income would have on all farmers and allied concerns impresses itself on you gentlemen in the Congress so that the gravity, even the danger, of allowing farm income to sink lower may be averted. Untold numbers of people and their families dependent on farm patronage are entitled to this consideration.

Yours very truly,

W. E. THOMASON, *President.*

PLANTERS & MERCHANTS STATE BANK,
Hearne, Tex., May 14, 1965.

HOUSE SUBCOMMITTEE ON AGRICULTURE,
Washington, D.C.

GENTLEMEN: Our local agriculture committee has requested that as a banker I give you our views on the present cotton program.

As a banker and as an individual I am most concerned about just what is going to happen to our farmers if the price of cotton keeps going down and the price of equipment and labor keeps going up. No business can survive under this condition, regardless of whether it is the largest corporation or the smallest peanut stand in the country.

We will take our community as an example as to what we are facing. On an average, we produce some 20,000 bales of cotton each year. Several years ago the price or average price was 33½ cents per pound. This put \$3,350,000 in our community. Now with the average price of 29 cents per pound, this will put \$2,950,000 in our community. So, over a period of just 3 years we will have \$400,000 less money to be spent. You cannot take this amount of money out of a small community and expect that community to survive, that is, not for long.

We know that you gentlemen have a problem, too, trying to help with the problem of thousands of farmers of all types over the United States. Certainly I do not envy you in your job of trying to find a solution to this situation but as a local banker for a number of farmers, I do know that a solution is going to have to be worked out. Again, you cannot keep taking thousands of dollars away from the farmers each year and expect them or us to survive.

Yours very truly,

H. C. KELLY, *Vice President.*

The CHAIRMAN. Mr. Jere Griggs of Humboldt, Tenn., has requested permission to insert a statement into the record at this point and without objection that may be done.

(The statement referred to follows:)

STATEMENT OF JERE GRIGGS, HUMBOLDT, TENN.

My name is Jere Griggs, I live at Humboldt, Tenn., and I appear here as a director of the Tennessee Agricultural Council which represents cotton producers and cotton interest groups in the State of Tennessee.

In our remarks on H.R. 8149 and in our recommendations for a cotton program which would give us a fighting chance to stay in both domestic and foreign markets, we are mindful of the pessimistic outlook for cotton and the President's statement calling for a reduction in cotton stocks and program costs.

In our opinion, H.R. 8149 if enacted would destroy what we have left of the export market. Instead of providing badly needed flexibility in pricing policies and programs, H.R. 8149 would extend the deadly effects of the current program. The facts are clear. There is no way under H.R. 8149 to do what needs to be done and must be done if we are to stay in the export market. This bill would continue, without change, the so-called one-price system for cotton under which it is impossible for cost reasons to meet the price competition of foreign growths and manmade fibers in world markets.

In passing section 203 of the Agricultural Act of 1956, Congress made it crystal clear that the U.S. Department of Agriculture was to adopt pricing policies and take all actions necessary to reestablish and maintain a fair historical share of the world market for U.S. cotton. For all practical purposes the Agricultural Act of 1964 nullified this legislative directive to the Secretary because it requires the domestic price to be reduced exactly the same amount as the export price. Freight rate differentials and other differences between domestic and export markets are now completely ignored and would continue to be ignored under H.R. 8149. The administration cannot be expected to pay the price that would be necessary to move our cotton in world markets at the desired volume so long as the law requires that domestic prices be adjusted the same as export prices, whether justified or not.

We do not believe that the domestic price of cotton should be raised. Neither do we believe we can afford to close our eyes to the need for making further downward adjustments in the world market that are necessary to discourage further expansion in foreign growths and the use of manmade fibers.

Under Secretary Murphy testified before this committee yesterday that to get back into the world market on the scale we need to be and must be in order to have a healthy cotton economy it would be necessary to reduce the world price to as low as 17 or 18 cents per pound. Certainly we cannot expect the taxpayer to pick up the check for reduction of this magnitude as long as this payment must be made on three bales to secure benefits on only one of the three.

The great flaw in the 1964 act and in H.R. 8149 is that U.S. cotton cannot meet the price competition of foreign growths and manmade fibers without a prohibitive and unnecessary cost to the taxpayer.

We urge that legislation be enacted to separate domestic and export pricing policies.

H.R. 8149 would further intensify inequities under the release and reappportionment of cotton allotments. The reduction in the national cotton acreage allotment would not be applied equally to all cotton producers. Producers in many States and counties with surplus acreage allotments would take little or no cut at all. Others would be cut the full limit of the reduction.

Surplus acreage allotments to individual producers cannot be justified under any circumstance and particularly in view of the proposed cut in the national acreage allotment. Elimination of the release and reappportionment provision would place all producers on an equal basis. They would then share and share alike in cuts or increases in the national acreage allotment. No one would get preferential treatment. Program costs and cotton stocks would be substantially reduced. The supply management objective would be much easier to reach. We urge repeal of this provision of the law.

A reduction in the national acreage allotment would reduce land values and be a serious economic blow in farming communities. It would amount to a further transfer of our domestic acreage to foreign countries. Cotton producers cannot afford to make another supply adjustment for the entire world. In our view, such a request is without reason, and could not be justified until all other means to adjust stocks such as increased export sales have been exhausted, and all producers are given the same treatment under the acreage allotment program.

Skip-row plantings should be eliminated unless counted acre for acre the same as solid plantings. This practice which has contributed more than any other single factor to the increase in per acre yields during recent years is completely incompatible with the intent and purpose of acreage controls. If producers are to have acreage controls they should be applied as such. Otherwise it would be preferable to assign poundage or balage quotas to farms following the skip-row practice. We urge that authority for skip-row plantings be eliminated beginning with the 1966 crop.

H.R. 8149 provides for direct payments to producers which we oppose as unnecessary and undesirable.

We urge that individual producers of any size be permitted to receive the domestic allotment payment without growing cotton. It doesn't make sense to require a producer to grow cotton which we certainly don't need and don't want in order to receive program benefits. We also urge that acreage history be preserved on farms that accept domestic allotment payments without growing cotton.

With these changes, we could look forward to expanding markets and a decrease in production thus obtaining the desired goals of a reduction in cotton stocks and program costs.

The CHAIRMAN. I note that Mr. Heidelberg, of Raleigh, is present. Do you have a comment to make?

Mr. HEIDELBERG. Yes.

The CHAIRMAN. You may.

**STATEMENT OF FREDERIC HEIDELBERG, NORTH CAROLINA COTTON
PROMOTION ASSOCIATION AND UPLAND COTTON GROWERS, INC.,
RALEIGH, N.C.**

Mr. HEIDELBERG. I have a formal statement which I will present at the next session, but I would like to say that I have with me Mr. R. Winslow Bone, of Route 3, Nashville, N.C., Mr. W. O. Baker, Jr., Route 1, Rocky Mounty, N.C., Mr. Charlie Armstrong, Jr., Route 2, Whitakers, N.C.

The CHAIRMAN. We are glad to have you here.

We will adjourn now to meet at 10 o'clock on next Tuesday morning, June 1.

(Whereupon, at 12 :25 p.m., the committee adjourned to reconvene at 10 a.m., Tuesday, June 1, 1965.)

COTTON

TUESDAY, JUNE 1, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:20 a.m., in room 1301 Longworth House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley (presiding), Poage, Gathings, Abernethy, Jones of Missouri, Hagen of California, Stubblefield, Purcell, Matsunaga, Foley, Stalbaum, Vigorito, Redlin, Bandstra, Callan, Belcher, Teague of California, Quie, Burton of Utah, and Walker.

Also present: Representative Mahon; Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimbürger, general counsel; and Francis Le May, consultant.

The CHAIRMAN. The committee will please be in order.

The first witness is Mr. C. B. Ray, chairman of the Cotton Producers Legislative Committee, accompanied by Mr. B. F. Smith and Albert Carter. Will you all appear together?

Mr. RAY. Yes.

The CHAIRMAN. Please come up and take your seats here at the witness table and identify yourself for the record.

Mr. RAY. There are several of our members present.

This is Albert Carter on the end here from New Mexico and we have here present also Bob Herd from south Texas, Donald Johnson of the High Plains of Texas. And next to me is Mr. B. F. Smith of Mississippi.

Next we also have present Mr. John Reynolds of California, as well as Mr. Rudolph Miller of California; and Carey Julian of north-central Texas.

The CHAIRMAN. All right, sir. Do you have a prepared statement?

Mr. RAY. Yes, I have.

The CHAIRMAN. You may proceed.

STATEMENT OF C. B. RAY, CHAIRMAN, COTTON PRODUCERS LEGISLATIVE COMMITTEE; ACCOMPANIED BY B. F. SMITH, OF THE DELTA COUNCIL, MISSISSIPPI; AND ALBERT CARTER, OF CARLSBAD, N. MEX.

Mr. RAY. Mr. Chairman and members of the committee, my name is C. B. Ray. I am chairman of the Cotton Producers Legislative Committee, an affiliation of cotton producers organizations, and I am speaking today for the following groups:

Agricultural Council of Arkansas; Arizona Cotton Growers Association; Delta Council of Mississippi; Delta Council of Louisiana; El Paso Valley Cotton Association; Imperial County Growers Association; New Mexico Pecos Valley Farmers Association; Oklahoma Cotton Producers Legislative Committee; Plains Cotton Growers, Inc.; Rolling Plains Cotton Growers, Inc.; South Texas Cotton Improvement Association, and Western Cotton Growers Association of California.

I would like to point out, if you are following the written statement, that the Rolling Plains Cotton Growers, Inc., has been added.

As you gentlemen know, the cotton industry is a basic pillar of strength to the whole U.S. economic structure. Millions of jobs, with the accompanying incomes, are dependent upon it, and billions of dollars are invested in its production and processing. There are about 91½ million people who depend upon cotton for a livelihood. Nearly one-third of these people live on cotton farms. The rest are workers and families of workers whose jobs can be directly attributed to cotton production, processing, and distribution.

In addition, there are 11 million other workers and their dependents in related industries.

Mr. Chairman, last year we worked with this committee and with the Department of Agriculture toward the enactment of the Agricultural Act of 1964. The objective of this act was to accomplish a one-price program for cotton that would make U.S. cotton competitive, to reverse the market-loss trends to foreign textile imports and to manmade fibers in the United States and to maintain farm income.

The act is accomplishing these objectives. Losses in the domestic market have been stopped and markets are being regained. Estimates indicate that domestic consumption will exceed that of last year by 900,000 bales. This is a dramatic increase when you consider the rate of loss that was taking place.

It was fully recognized that the Agricultural Act of 1964 would require time to bring the carryover down to a manageable level. That which was designed as a 4-year bill was amended to limit its life to 2. The act has been fully effective for only 10 months and this is too short a time to judge its merits.

We are now being called upon to consider major changes in the act of 1964. Only week before last, a representative group was called to Washington to meet with administration leaders, and producers were asked to work with the Department of Agriculture to develop an acceptable program. We have made ourselves fully available for such consultations, but before such efforts are even underway, we are confronted with a bill, carrying the Department of Agriculture approval, that would reduce farm income by \$300 million annually and that would point toward the liquidation of the cotton industry. We had no part in the development of this proposal. We consider this approach to be unworkable and that it will lead to widespread financial disaster in cotton growing areas.

We wish to point out that cotton farmers have already absorbed \$17.35 per bale or approximately \$250 million in lower prices in an effort to reduce Government costs and to bring about more competitive prices. Further cuts in cotton farmer income until production costs are reduced on a comparable basis is out of the question.

The crisis in cotton has been brought about largely by the lack of an effective export program. The problem with exports cannot be related to the Agricultural Act of 1964 but to the policy that this country has been following for a number of years.

Here are the cotton export figures since 1956:

	<i>Bales</i>
1956-----	7, 600, 000
1957-----	5, 717, 000
1958-----	2, 787, 000
1959-----	7, 182, 000
1960-----	6, 632, 000
5-year average-----	5, 988, 000
1961-----	4, 913, 000
1962-----	3, 351, 000
1963-----	5, 660, 000
1964----- (est.)	4, 400, 000
4-year average-----	4, 581, 000

And this 4-year average which is just under 4.6 million, is considerably from the previous 5-year average.

According to the National Cotton Council, our share of an expanded world market is about 7 million bales. We believe that this goal can be and must be achieved. You will note that the average annual exports for 1956-60 exceeded average exports for 1961-64 by 1,407,000 bales. Had we maintained our exports at the 1956-60 rate, our supply today would be down to a manageable level.

Mr. Chairman, it appears to us that H.R. 8149, and the policy for cotton recommended by the Department of Agriculture suggests that we are to continually cut back our productive capacity to accommodate the failure of our export sales program. This means that we must be content as the residual supplier in world markets with prospects for eventual production for U.S. mills only. We cannot accept this approach as either sound policy or good business. We find the acreage reduction and direct payment features of the proposed legislation to be unacceptable. This is a negative approach that will lead to stagnation and liquidation of a substantial part of the cotton industry.

We are confident that a program can be developed to expand domestic consumption and at the same time regain and maintain our fair share of the increased world market. We therefore petition this committee for the opportunity to come back at a later date with definite recommendations. We are ready and willing to work with the Department and the Congress toward these objectives.

The CHAIRMAN. Thank you very much, Mr. Ray. You have presented a very fine statement. I have noted your interest in the cotton industry. We are glad to have your views.

You know and I know that we have been in session here since January, and the Department has not sent us their recommendation. Week after week I was assured that we would have a recommendation the following week. And weeks went on into months and nobody has presented a bill or any suggestions and I therefore put together a bill which is before us, H.R. 8149. I sent it to the Department for an official report, and we received that report about 2 days ago.

Mr. RAY. Yes, sir.

The CHAIRMAN. I know that this bill is somewhat controversial, but I believe that the Agricultural Act of 1964 actually did accomplish

the things that we thought that it would accomplish; that is, to revitalize the industry.

The industry has spent about \$1 billion in expanding its facilities and in modernizing its plant and equipment. And if the law expires and we go back under the inequitable burden which has been borne by the industry for the past several years, the industry, in my opinion, will be far worse off than it was before we passed the bill. Something has to be done.

I do not know whether this is the right approach or not, but I am not a statistician or an economist. Therefore, I do not speak from that standpoint, but we cannot keep continually adding to the carry-over, because even doing the best that we could last year, we added another million bales of cotton to the carryover. The financial burden of the program is gigantic—almost a billion dollars—probably more than that—and it appears to me that we have to do something to minimize the cost of the program. We have got to bring production into line with the consumer demand.

I agree with you that we should do more in the field of exports of cotton than we have been doing, but the fact remains that we have not regained our exports, and as you brought out, in 1958 the exports were down to 2.7 million bales and the next year it jumped up to 7 million bales.

What happened in 1959 to bring about that situation—do you know?

Mr. RAY. Mr. Chairman, I do not know the history of exactly what happened there. Perhaps some of our group can throw some light on it.

Mr. SMITH. We have had a vacillating export policy, as you know, Mr. Chairman, over a long period of time.

The export program was passed in 1956, section 203, which said that we would sell in the foreign markets. We started this program on a competitive bid basis and sold 1 million bales in about 1 month's time. We have had varying approaches to this thing. And when we have sold competitively we have retained exports and when we have retreated to the position of more or less residual supply in the world markets without an aggressive policy we have lost exports.

It appears to us that over a period of the last 4 years this is about what has happened, that we have been more or less willing to take what the world leaves in terms of export markets. We think that this is the main reason for the cotton crisis today.

If I may add an additional word, Mr. Chairman, we want certainly to commend you and this committee for the action taken last year. We think that this was a very constructive bill. We think that we have had very dramatic results from it in terms of stopping the erosion of our domestic market and in increasing the domestic consumption.

When you consider that we were losing markets at the rate of about one-half million bales a year to stop this and turn it off and gain from 800,000 to 900,000 bales in 1 year is really something. We cannot liquidate this big surplus in a year or 2 years. No one ever thought that we could, but this current bill that we have, with a few modifications, we think, and with an aggressive export program could be made to work effectively. Whether that can be passed or not, we do not know, but we are willing to explore every possibility. We must try to maintain the farm income.

We have taken a \$250 million cut the last couple of years as Mr. Ray pointed out. This bill, by the reduction in acreage would bring it down another \$300 million. The items that we have to buy to make a crop are going up in cost. Our cost of labor is going up. All of these things are going up. And we just cannot take this big reduction at one time. We think that there is a better way out of it.

Mr. ABERNETHY. If you will yield.

The CHAIRMAN. Yes.

Mr. ABERNETHY. I know that you have made a study of this matter, probably as much as anyone in the industry. You speak of an aggressive export program. Evidently the export situation is very unfavorable to our cotton economy. World consumption of cotton has gone up and still we get less and less. That is, no more than we have been getting over a period of years in the export market. You referred to an aggressive export program. Can you define that? What should be done? What legislation should we enact? What should the Department of Agriculture do? That seems to be the crux of this thing, exports. How do we get them?

Mr. SMITH. Mr. Abernethy, I do not think that any additional legislation, possibly, is needed in the export field. They have an open-end authorization now. I do not pretend to be an expert. I do not know whether we have too many experts in this field or not.

Mr. ABERNETHY. You are a student of the situation.

Mr. SMITH. What we have been pursuing is a policy of fixed export prices that we guess about a year or more ahead of time and announce to the world and then give the world an umbrella under which to operate. And naturally they are going to shave their price a little bit and sell all of their cotton while we hold our cotton. And then we just go in and get what is left.

During the period of time this has happened. And we have operated this program several times in the past on a more or less of a bid basis or a flexible export subsidy. We think that something like that would not bring world prices or would not attempt to break world prices but at least meet the world prices, and we think that this is the key to the thing. At least, Mr. Chairman, we have to meet the world prices. And above all, the world has to recognize the fact that our cotton is going to meet world prices.

We have been encouraging increased cotton production around the world, not only by our export policy but by our foreign aid effort.

The CHAIRMAN. You do not have a world market price, in the first place. There is no fixed world price for cotton. Something has to be done, we know, besides what has been done. I do not know what to do. Somebody suggested that we put this cotton up for sale on a bid basis.

Mr. SMITH. That is exactly what I am saying, Mr. Chairman.

Mr. ABERNETHY. A cutback in acreage will not get us into the world market, will it?

Mr. SMITH. No, sir. We are going to transfer our acreage abroad.

Mr. RAY. Mr. Chairman, we are extremely fearful that no one can work out a program that is satisfactory even partially so, so long as there are 10 million bales of Government stock hanging over our heads. We do not advocate dumping this stock, pitching it into the sea, or

anything like that. As Mr. Smith says, we feel that given the authority to merchandise the cotton can work this off systematically without breaking the world price down to an unreasonable level.

At the same time, to curtail or cut back foreign expansion. Otherwise we simply satisfy ourselves with the U.S. market, whatever it may be.

The CHAIRMAN. And we might even lose that.

Mr. RAY. That is true—that is very true.

The CHAIRMAN. You have lost contracts?

Mr. RAY. Yes.

The CHAIRMAN. I do not know whether we can pass a bill now or not.

Mr. GATHINGS. Mr. Chairman, we are all appreciative of the fine work you have always done in connection with cotton and the real effort that spearheaded the 1964 act that you put forth. We have waited week in and week out trying to get recommendations from the Department, so that we could move forward on cotton legislation.

As I understand it from the testimony of Mr. Ray this morning, representing these various cotton grower organizations, the whole group throughout the country are not making any recommendations at all this morning, is that right?

Mr. RAY. That is right.

Mr. GATHINGS. You are not going to express yourself on this legislation now which is pending? You are not at this time giving your recommendations on it?

Mr. RAY. We would like an opportunity to have a few days in which we can develop some positive recommendations.

The CHAIRMAN. I am not trying to railroad or rush the thing through at all, but I thought that it was time for us to get the show on the road. Mr. Gathings here is the very competent chairman of the Cotton Subcommittee. He knows what you have been up against. We have been sitting here week after week with nothing being done.

Mr. SMITH. If I may clarify this just for a moment. I think that most of the organizations or almost all of them came here and we were all of the opinion that a few simple modifications of the Agricultural Act of 1964 would make it a fully workable program.

We recognize, Mr. Gathings, the very splendid contributions that the Agricultural Act of 1964 made. It has reversed this loss trend—it has resulted, in spite of a lot of things said about it, in three raises in textile wages and some of the prices for yarn and grades have been adjusted downward. It has meant a lot more. It restored confidence in the cotton industry. This is what it has done. And this is wonderful. And we would like to see that continued. After listening to the Department's witnesses last week and all of the statistics that were thrown in the record, and more or less the stand that they took, we were shaken in our convictions. We think that we would like to explore every possibility for a modification of this bill to bring it in line with what can pass the Congress, Mr. Chairman, and also, possibly, some other possibilities that might evolve as to what might be done for cotton.

Mr. GATHINGS. Mr. Smith, let me ask you this: Mr. Ray's statement said that week before last a cotton conference was held here.

Mr. SMITH. Yes.

Mr. GATHINGS. Did you attend that conference?

Mr. SMITH. No; I did not. We were represented.

Mr. GATHINGS. Did you attend that conference; Mr. Ray?

Mr. RAY. Yes; I did.

Mr. GATHINGS. Would you state for the benefit of the committee just who was present and who called the conference and what day it was held and all about it?

Mr. RAY. One meeting that I have particular reference to was called by the Vice President, and that was on a Tuesday.

Mr. GATHINGS. Two weeks ago?

Mr. RAY. Two weeks ago, that is correct, today.

Mr. GATHINGS. Right. Now, just who was called in by the Vice President at that time?

Mr. RAY. I could not possibly name all of the persons who were there.

Mr. GATHINGS. Who appeared—what segments of the industry?

Mr. RAY. The mills, the merchants, and the producers—certainly those three large groups were represented and also the National Cotton Council was present.

Mr. GATHINGS. How long did the meeting consume?

Mr. RAY. Approximately 3 hours.

Mr. GATHINGS. And what was the consensus of view at the conclusion of the 3 hours of meeting?

Mr. RAY. Well, I am not sure that there was a consensus. I am convinced that the producers felt and expressed very much the same attitude as we have expressed here today, that the program that we have, the Agricultural Act of 1964, is working as it was intended, by and large; that something must be done about selling the Government stocks. Those were the points that we made. We were in agreement. I am not sure that the other groups commented on the sales idea. Certainly there was no objection raised.

Mr. GATHINGS. You are for a strong export program?

Mr. RAY. That is right.

Mr. GATHINGS. On the part of the growers of cotton?

Mr. RAY. That is correct. And as I recall, there was no objection raised by anyone as to this being a good idea. There simply was not a great deal of comment from the other groups.

The CHAIRMAN. It was a good idea but we have to do something more than to have a good idea. I understand that there is not a cotton man in the Department of Agriculture who knows what should be done about cotton in foreign markets. That has been a complaint during the years. In both the present administration and in the former administration that has been true.

I agree that we have many millions of dollars tied up in this surplus commodity that we do not have any sales for. We have to do something about it, somewhere. We have to do something to keep us from losing cotton sales in the world markets. We have advocated or suggested a cut to 14 million acres. This, however, is negotiable. Every bit of this bill is subject to change by this committee. Nobody on the committee is tied to it at all. That is why we want to hear from all witnesses of the various segments of the industry.

You pointed out in your statement that you are not giving us recommendations at the present time other than the proposal to have

it like it is. I do not know that we can before the House and pass such a bill.

I introduced this bill, but you cannot pass the bill on the floor of the House without some cooperation from the administration. You cannot pass it with administration opposition.

We have had all of these months to review this thing. I do not know that the program has been in operation long enough for us to evaluate and to know exactly how it should work or if it will work but we have a point that is involved in this situation. I do not think that we can afford to sit here and do nothing. I do not think that you can afford to do so either. We look to you for some leadership, some suggestions as to what to do. So far as the present schedule of hearings is concerned, we can change that schedule. I would hope that we could move on and give everybody a chance to be heard and then go into executive session and make up our own minds about this.

Mr. RAY. We certainly do not envision dragging this out an unnecessary time. We think in terms of 10 days or 2 weeks, no more than that, at which time we can try to come up with something.

The CHAIRMAN. We can not pass this bill without your cooperation. It will be necessary to have that. We know that we could not pass this bill or any other bill with the opposition of your groups. We just got through by a narrow margin the last time. And with all of us working together to try to get it through.

Mr. GATHINGS. Mr. Ray, at the conclusion of this 3-hour conference of about 2 weeks ago today, was it your view that additional study would be made by the overall group of producers, shippers, and other groups?

Mr. RAY. Yes, sir.

Mr. GATHINGS. And the Department officials?

Mr. RAY. The Vice President made it real clear that he expected the industry to talk over our differences and to come up with something. Simply, there was not enough time to do this. We have been talking. We have had several conferences with the Department people and expect to have more. Time is our problem, really.

Mr. GATHINGS. Thank you.

The CHAIRMAN. Mr. Hagen.

Mr. HAGEN of California. Mr. Smith, you mentioned at one time that the Department was selling cotton abroad on a bid basis. That has not been the policy for the last few years. Why did they change their policy, do you know—was it the State Department or who induced the change?

Mr. SMITH. They had this philosophy that they needed to have stability, I think, in the price. And certainly it was not the producers' idea that it be changed, but this was the reason given for the change, I think, that they could have stability in the price.

Mr. HAGEN of California. Who wanted the stability—the foreign producers of cotton or the Department of Agriculture?

Mr. SMITH. I do not know, Mr. Hagen. It certainly does not seem to me that this type of program is for the benefit of the cotton industry of the United States or for the producers.

The CHAIRMAN. Will you yield there?

Mr. HAGEN of California. Yes.

The CHAIRMAN. It is a fact that the domestic industry resorted to every effort to eliminate this. They went to the Tariff Commission on section 22, and called upon the Tariff Commission to make an investigation and a report and they lost. They went to the Office of Emergency Planning, and they lost there. They then went back to the administration and tried to get a new section 22 hearing again and lost again. And there is no program. The world consumers of cotton knew that we were making up the difference. I guess that affected it.

Mr. SMITH. Yes. We joined the textile industry, Mr. Chairman, in those efforts; that is, the producers did, and we went before the Tariff Commission and all of those places over this long, drawn-out process of trying to get, at least, relief through the avenues at that time that were available, and as you say, they all failed.

The CHAIRMAN. And the only place left was to come to Capitol Hill.

Mr. SMITH. Absolutely. And we wholeheartedly did.

The CHAIRMAN. There is no doubt about it. The farmers are hard hit. The foreign mills and the domestic mills and the consumers, everybody has an interest in this. What else can we do?

Mr. SMITH. I do not think that you can do anything else. I think that you must take into consideration what the cotton industry has been to the economy of this area. That is tremendous. There are about 9 million people who make their living directly from this industry, and there is another 1 million more who get a substantial part of their living from cotton. We have involved here billions of dollars.

You talk about trying to get at pockets of poverty, Mr. Chairman. We are going to have new pockets of poverty created all over this Nation from the textile industry on through to the producing section. The cotton industry is worth saving. And I think that it can be saved.

Mr. HAGEN of California. The stability that you talk about is the stability of the export subsidy?

Mr. SMITH. Yes, sir.

Mr. HAGEN of California. That is what you are talking about?

Mr. SMITH. Yes.

Mr. PURCELL. I am not an expert on cotton, Mr. Smith, but it seems to me that we have been turning this around—is it not true that the prices, the export prices, contain the largest subsidy that would have to be paid because of the gap that exists? We are obligated under this law to offset the price, the cost, that the domestic mills have with an export subsidy. This is what we are talking about, is it not?

Mr. SMITH. You are right according to what this law requires, that these prices be the same, but if you will look at these figures right here, even in 1962, we did not have this law and our exports went down to 3.3, you see, and in 1958 we did not have this law and we were down to 2.7. Our exports have zigged and zagged up and down. And while only recently it has been required that these prices be the same we certainly cannot say that the Agricultural Act of 1964 is the reason for our decline in exports.

Mr. PURCELL. That is my point. We can talk all we want to about this zig and zag, but the law as it now exists puts the Department in a straitjacket, so to speak, in that the more they push for export subsidies, for exports, the higher the subsidy will have to be that will be

paid to somebody, because the domestic mills will have to be paid more and more money as a subsidy, as the law requires.

Mr. SMITH. You will also recall that we have taken it off from the top. When we started here we had 32.47 and we reduced it down and the producers voluntarily requested that there be a cut in cotton price supports.

And then we got another cut this past year which we did not quite ask for. And we supported a program through this committee last year that provided for some additional stepdowns on a logical basis, and we talked in terms of trying to gear our price supports to our production efficiency. I think that the producers have made their major contribution and are willing to make contributions as much as they can.

Mr. PURCELL. I am not arguing about the willingness of the producers to support it. They have done more than any other agricultural segment, I guess, but now I would like for you to deal directly with my question, if you would, please, sir, because I know that you know a lot more about the cotton philosophy than I do. The question is this, insofar as the effect of this law is concerned is it not necessary for the Department to pay more and more money as a subsidy to the mills the more we push for exports?

Mr. SMITH. Under the current law we must keep these prices the same, Mr. Purcell. I think that the method more or less of how you do this is important. We do not envision something of the whole surplus on the market at one time. This would have to be taken off and for a part of it we would hope that some of our exports would come out of the current crop. Unless we do that we will be siphoning it through the loan. That does not make much sense either.

Mr. PURCELL. That is true.

Mr. SMITH. But we can, with a definite export goal, sell on a competitive basis. At some time in the past, over the past years, actually we could have sold just as much cotton for export had the price been a little bit higher. Sometimes you had to go lower. I do not know of any business that you can just put your price right there and just keep it there all of the time.

Mr. PURCELL. This is where the Government agreed to keep the thing in balance.

Mr. SMITH. Sir?

Mr. PURCELL. You do not know of any business where the Government has obligated itself that the more they sell that the more it will cost Government in order to keep the law of supply and demand in balance and to keep paying the domestic mills more?

Mr. SMITH. I do not think that it needs to cost all that. The point that I am trying to make is the mere fact that we do have a fixed subsidy is a signal to the world as to what they can operate under. Now, if it was not a fixed subsidy this would have the possibility—a real possibility—of not encouraging the increases in the production that we have. They know that we would be competitive. The value of the PIK that we use in the method could be adjusted to reflect these things. It may be down here at one time, but it may not be quite that high next month. I mean it will not be that low next month. I do not think that this is the big financial bugaboo that it is pointed out to be.

Mr. PURCELL. I do not want to belabor the point. I certainly thank you and the rest of the cotton industry for coming up here with some-

thing that will solve some of these problems, and if you do, you will get a lot of support from this committee.

Mr. SMITH. Thank you.

Mr. PURCELL. We will strive to help in every way that we can. I do not want to dodge the issue here.

The CHAIRMAN. Have you discussed this particular thing with the officials in the Department and, if so, what has been their reaction?

Mr. SMITH. We have not discussed this in great detail. We have discussed the need for exports and increased exports. We have run up on almost every time, more or less, the idea that, well, we cannot do anything because we have got to be the domestic markets as in the foreign markets.

The CHAIRMAN. Then you must do something about it.

Mr. SMITH. Yes.

The CHAIRMAN. Mr. Abernethy.

Mr. ABERNETHY. You spoke of the export market on a bid basis. Would there eventually be a stabilization of the world price?

Mr. SMITH. Mr. Abernethy, I think that there would be. I do not think that the foreigners want to go broke any more than we want to go broke, or that we want to have to put this export equalization payment on too low a level.

Mr. ABERNETHY. Has anyone in the industry given any study or consideration as to where that price might stabilize? I think that the Department would want to have some idea thereof if it got into a bid basis. Where would the stabilization level be?

The CHAIRMAN. You mean at 16 to 17 cents a pound?

Mr. ABERNETHY. I do not know. I think we had some figure that was thrown around here like that.

Mr. RAY. This is a matter of opinion. Certainly we could not sit here and tell you with any degree of accuracy what the world price would become.

Mr. ABERNETHY. I did not propose that you could. I was just thinking out loud to see if we would get something like that.

Mr. RAY. That is a point of disagreement there. I, through ignorance or design, could break the world price 10 cents, but I do not think that you have to break it. This is the whole point of argument that we have. We are of the opinion that the Department's figure or estimate of 16 cents is not necessary. But who knows.

Mr. ABERNETHY. Did the Department suggest 16 cents?

Mr. RAY. This is the figure they have used of 16 and 17 cents to us. I think it was used here in the committee room. We simply do not agree that it is necessary to break it that low.

May I comment a moment on Mr. Purcell's point, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. RAY. I think this is a very important thing. It is true that the law does tie these points together, but the law does not say that they have to be tied at 23 cents. I think this is the whole point. The question, Mr. Chairman, is whether the cotton industry is worth saving. If it is, it is worth spending a little money on. This is the argument, I think, against lowering the world price, because the subsidy would be greater—either that or you take it more out of the producer's hide. We say that our hide is stretched as thin as it can go. This is the point that we need time to pursue further with the Department and the

administration. I think we can come to some conclusions. I am very hopeful that we can work together. Certainly we must if we are going to pass any legislation.

The CHAIRMAN. Let me ask you this question. I can understand your views on the acreage reduction, but tell me what evil there is about the payments being made to the producer. We come along and we try to make them to anybody but the producer. The other day we asked some cottongrowers how many of them would be willing to accept direct payments, and it turned out that one had a large acreage of cotton and he said that the tenants would be left out. Why do you object to accepting the payments for the producers? I have grown cotton and I would not object to receiving a payment.

Mr. RAY. This is a very complex subject and I will try to answer it the best I know.

First and foremost, the producers are fearful that limitations are inevitable if you drop the loan down and make up the difference with a cash payment.

The CHAIRMAN. That is all right. In this bill we try to guard against that.

Mr. RAY. That is true, Mr. Chairman.

The CHAIRMAN. I fail to see why it would not be acceptable.

Mr. ABERNETHY. I do not think they are worried about that but what might be done other than here.

Mr. RAY. We are not fearful of what this committee would do.

The CHAIRMAN. We are putting a limitation on the whole thing. I do not see that argument.

Mr. RAY. May I make a further statement?

The CHAIRMAN. You say that it might happen.

Mr. RAY. May I make one other point, Mr. Chairman? If not a limitation, then certainly a graduation as to the size which has the effect of a limitation.

I would like to make one further point on this whole business of high and low loans. We contend that there is no magic in a low loan. This does not accomplish the objective, it seems to us. Certainly any time that you put the loan level at any point you get into this fixation thing—the price becomes fixed and this is the problem. This is the problem now that the Department seems to run into constantly, is that it is fixed for a year. Certainly putting the loan at 22 or 23 cents would not change any of that, because that is where the world price is now. What would you accomplish—how would you free up the market, simply by reducing the loan level? It is still a loan level.

Mr. ABERNETHY. If you do not reduce it at all—if the identical payment is made, the cost of the program remains the same.

Mr. SMITH. Unless you had limitations.

The CHAIRMAN. What if you were assured that there would not be any limitations?

Mr. SMITH. Mr. Chairman, there would be in another way, because the history of any direct payment thing has been followed by more stringent controls of all types. Some of them are even accompanied by mandatory minimum wage provisions as of now. And we think that if we could have the assurance for a year of grace that these things would inevitably follow.

We also think that the pattern that has been had in the past paints a pretty clear picture of what has happened.

Mr. Poage, you remember the ACP payments were not limited at one time and they are down pretty low now.

Mr. POAGE. That the direct payment program has resulted in stringent regulations—is that not in effect what you have said?

Mr. SMITH. Yes.

Mr. POAGE. We have had a direct payment program on wool. I do not know of any regulations that have been imposed. I do not know of any restrictions that have been imposed. We have direct payments on wool. We never have made any attempt to put any restrictions on the size of the payments there.

Mr. SMITH. I am not too familiar with what has happened in wool.

Mr. POAGE. Let us put it this way, you do not know of any restrictions whatsoever which have gone onto the wool program since we have had direct payments, do you?

Mr. SMITH. No, sir.

Mr. POAGE. And you do not know of any limitations that have ever been placed or attempted to be placed on the size of payments to the woolgrowers, have you?

Mr. SMITH. I have never seen the names of the woolgrowers printed in the newspapers, either, as to how much the payments were that they received or——

Mr. POAGE. You can get that information if you want it.

Mr. SMITH. The point that I am trying to make is that under the loan program you see these large amounts printed in the papers.

Mr. POAGE. As a matter of fact, what has happened, Mr. Smith, has been that a bunch of people, who have been so opposed to the direct payment principal, have continued to get into the newspapers, everybody in the cotton business—while the wool people have been smart enough to close their mouths—they have had a real good program that has been advantageous to them and to the country, and there has been none of this talk about big payments but wherever you go the cotton people have talked of the size of payments. I rather think that the cotton people themselves are the ones who have given all of this information out. A bunch of these organizations such as are here today have done more to dig out this information, to show how big some of these cotton people were than anybody else in the United States. You people have done it yourselves. Your groups have charged in every crusade that we cannot stand direct payments and the result is that you make a lot of people suspicious of the whole cotton industry and you have created a lot of potential enemies that we ought not to have—people who ought to be our friends and supporters. It has been the people in the cotton industry themselves who have done this, and your own organization is not entirely without fault.

Mr. SMITH. I certainly do not want to enter into an argument with you. I have never won one yet. [Laughter.]

I do want to say this, that if we have done this, it has been unintentional. If you read the Congressional Record and the newspapers in recent years the people who are Members of Congress have requested this information and have placed it in the Record and it has been reprinted around the country, and they have not been from

the cotton areas. I do not want to call any names, but certainly this type of information is printed every year with speakers on the floor of one body or the other pointing this out and this certainly was not initiated from the cotton producer organizations. This has scared us to death. We have only pointed it out to some of our friends, such as you, to show what would happen even on the floor of the House, and even there last week on the appropriations bill, they had an attempt there to place a limitation on all price supports. I understand this was ruled out of order but still it shows the situation. I do not know what would have happened if the limitation had been offered on the cotton bill, just for cotton. I do not know what would have happened.

Mr. POAGE. Before we passed the wool bill my own Texas Sheep & Goat Raisers Association appeared right here with almost exactly the same words you have used this morning and protested against giving them direct payments. Now, I will challenge you to find one single member of the Texas Sheep & Goat Raisers Association who has that opinion. They appeared in opposition before they had a direct payment program but they did not appear before our committee last spring when we considered the extension of the wool program, but they were sitting at the table like you are, opposing the thing on exactly the same grounds that you are opposing this, before we passed it.

Mr. SMITH. Mr. Poage, do you think that you could have a direct payment program for cotton without a pretty low-level limitation?

Mr. POAGE. Yes, I think so. I think that you can have that just as well as you can have any other program. I think that you can have it and that you have to fight this problem of limitation on any program that you have, whether it is direct or indirect—whether it is a loan or whether it is a payment or whether it is some other kind of device, because there is a large segment of our people in and out of the Congress who are opposed to anybody making more than a mere wage, people who believe that wealth in itself is inherently bad. I do not believe that. I believe that wealth is a good thing. The only thing we need to see is that it is not used viciously. I like to see people make profits, whether they are cotton farmers or whether they are bankers or laborers—I like to see them make money. I think it is good for the country.

Mr. SMITH. I do, too.

Mr. POAGE. And I think that if we would place our emphasis on seeing that the small farmer is given a special help to maintain himself as a small farmer that we could eliminate this problem of putting a limitation on the big farmer. If we could simply agree as to what it takes to keep efficient agriculture producing cotton and see that everybody across the board gets that much. Then I cannot see why the larger farmer should object if we want to pay some kind of bonus to the 3-acre man.

Mr. SMITH. We do not object—

Mr. POAGE. If we will but place that emphasis on that, I think that you will completely destroy the force of the drive to put limitations on the big man, because down at the heart of it, most of these people who are talking limitations are not actually vicious. They are not trying to do harm to somebody, but they think that they are

helping some small fellow and they want to help him. I want to help him, too, and I think that if we would place our emphasis on helping that small man and do justice to everybody, that there would be less pressure to limit the large producer.

Mr. SMITH. We have always favored any program that would help the small farmer, Mr. Poage. We have to in our State. We have a lot of small farmers in Mississippi. We must always be mindful of their welfare as well as that of the larger people.

The CHAIRMAN. These mills did not ask for the subsidy. They did not want it, they said. There is no evil in it. They have accepted the payments. We did not tell anybody to make the payments to the mills. We just said to make them to anybody. And we put that language in there because the producers had been here and did not want it. I do not see anything wrong without accepting a payment.

Mr. HAGEN of California. Politically there is a difference. Labor sees a vital connection between its own property and that of the mills and supports a payment to the mills without limitation. On the other hand, historically, it has sometimes supported limits on aid to individual farmers.

The CHAIRMAN. You make the payment to the farmer himself.

Mr. HAGEN of California. If you intrude the Government in a commodity program and treat different farmers differently, you create inequity.

The CHAIRMAN. If we made the payments direct to the the farmers, the prices would go down. It would mean low-priced cotton.

Mr. HAGEN of California. Labor in the past has supported amendments for limitations on payments to farmers. They have never supported limitations on payments to the mills. This is a very real political consideration in supporting or opposing direct payments to farmers.

Mr. SMITH. The mills do not receive the payments now under this bill.

The CHAIRMAN. Under the program we have now?

Mr. SMITH. Yes. It is made into the channels of trade and——

The CHAIRMAN. Yes. Anybody except the farmers.

Mr. SMITH. But it is not made to the mills. It is made, the direct payments to the mills are on the inventories, from the time it was passed until the new program, but it is not made to the mills. The mills do not get it.

The CHAIRMAN. It is not made to the farmer—it is not made to the first person.

Mr. SMITH. It is made to the man who delivers the cotton to the mills, as I understand it.

Mr. ABERNETHY. That was only on the inventory?

Mr. SMITH. Yes.

Mr. RAY. As to the discussion that Mr. Poage had a moment ago, I do not know whether Mr. Poage was here when we said this, the point was that we are fearful on limitations and if not limitations we are fearful of the graduations or the graduated scales which arrive at the same point, anyway.

Mr. Poage, we would not be in the industry if we were very smart, anyhow. And we confess to that. I do think that there is a better

way to work it out. We think that we ought to try to decide what we are solving—what would we accomplish with the direct payment to the grower that we are not now accomplishing? This is the question that we raise. And we do not think that we are really solving any problem by direct payments and a low loan. We think that we might create a surplus for the producer by doing it. That is our fear and this is our thinking.

Mr. HAGEN of California. The only commodities that have direct payments, outside of the wheat and feed grains programs and to some extent the cotton program, are commodities such as wool and sugar of which we have no domestic surplus. The cotton, wheat, and feed grains payments are designed to reduce surplus and do not represent a regular support program.

Mr. STALBAUM. In line with Mr. Purcell's earlier question about the subsidies on exports, you in your testimony have indicated that you would be very pleased if we kept up with the 1956 export level of nearly 7 million bales. Under the 1964 program and the present policy of the Department what would have been the increased cost of that program had we exported another 1,400,000 bales or even more, 1,500,000 bales; that is, the cost to the Government?

Mr. RAY. That is certainly a matter of arithmetic and it could be arrived at. I do not have it at my finger tips.

Mr. STALBAUM. I would like to get this figure into the record, because I think that these costs are a vital factor in this and I would like to know for my own information what that figure would be. I am new on the committee and I would like to know what it would cost the Government had we exported 1,500,000 bales.

Mr. SMITH. It is a matter of how you figure it. One thing, too, you must consider is the fact that they already own this cotton. They are paying the carrying charges on it. They have already devalued it. And all of these things have to be taken into consideration.

Mr. STALBAUM. We would still have to pay the domestic subsidy and what would that be?

Mr. SMITH. I do not have the figures.

The CHAIRMAN. Gentlemen, I do not want to cut anybody off here but we have already consumed almost an hour and we have another group of witnesses that we have still to call.

We thank you.

Mr. RAY. Thank you.

Mr. SMITH. Thank you.

The CHAIRMAN. Continue your effort to try to find a solution.

Mr. POAGE. I would like to have permission to place into the record a statement from the Old Cotton Belt Association of Texas.

The CHAIRMAN. Without objection that may be done. It will be made a part of the record at this point.

(The statement referred to follows:)

STATEMENT OF OLD COTTON BELT ASSOCIATION OF TEXAS

In view of a most urgent need for legislation to maintain a healthy cotton economy, the Old Cotton Belt Association submits a program which we feel is fair and equitable to all areas and segments of the cotton industry.

This program will allow producers to make a choice of producing cotton for domestic consumption only, or, allow full land usage to other producers for those producing under their effective allotment. This program will enable the

American cotton producer to retain his present share of the world's cotton acreage, since the American producer has reduced his plantings from 42 million acres some few years ago.

In view that this would be a new approach to our past cotton programs, we recommend legislation for a period of 5 years, which will give sufficient time for the program to function properly.

This program will maintain farm income, reduce cost to the Government and reduce surplus cotton.

We submit the following proposal, as follows :

1. National allotment of 16 million acres. Reduction in acreages will increase cost of production.

2. A price support of 22 cents per pound. Basis, Middling 1 inch.

3. Payments of 12 cents per pound. Production payments on 67 percent of actual production produced from effective allotment. This is considered domestic production.

A. Adjust production payments on basis of parity increases or reductions annually.

B. Should production costs be lowered, adjustment in production payments be made to reduce cost of program.

4. An effective allotment should be the final allotment after release and reapportionment.

5. An accelerated export program of 7 million bales.

6. Added usages for cotton—

A. Initiate additional consumption of cotton by usage in the poverty program by furnishing needy citizens with clothing, bedding, and household goods produced by our American textile mills, and raising standard of living of our distressed citizens. In addition, make available to people in disaster areas like cotton goods when an area is struck by such misfortunes.

B. Through our foreign aid programs to depressed and underdeveloped areas of the world, furnish people with cotton goods processed by our American mills. In the event American mills are unable to process surplus CCC cotton, negotiate with friendly nations to process cotton into cotton goods for final distribution through our foreign aid programs.

7. Accelerate research for cotton usages, and to reduce cost of production of cotton.

8. A holder of an allotment producing only domestic cotton shall be credited with planting his full allotment when planting 67 percent of his effective allotment.

9. On acreage reduced by domestic producers, no price supported crop may be harvested for sale.

10. On acreage reduced by the domestic producer, increased ACP payments be made to encourage soil conservation and other land usages.

11. Regulations and procedures must be simple.

Other comments in relation to the bill :

A. Release and reapportionment must be retained to allow needed adjustments in many areas throughout the Cotton Belt.

B. Skip-row planting should be retained in areas where producers have historically "skipped rowed" for water, wind, and soil conservation.

C. Soil bank programs have created nothing but problems for a farmer. City investors have bought land and let our Government bear the expense of paying for it. Through programs such as this, the economy has been destroyed in many rural areas. Production costs and property losses have been increased from hazards of weeds, grasses, insects, varmints, fires, and many other objectional features. Soil and water conservation losses are high on this land due to neglect and apathy. Only the landowners benefit as generally producers have been forced to leave this land. Our schools, churches, merchants, as well as labor, have suffered. Soil-bank land gives the impression of waste and the appearance of an abandoned countryside. Soil-bank programs destroy initiative. Idle, eroded, infested, wasted, but nevertheless, valuable land produces no new income, taxes, prosperity, employment, and encouragement to the basic farmer.

D. Sale or lease of cotton acreage will create unnecessary financial hardship to many farmers. Small producers cannot compete financially with large producers for acreage. Such a regulation will increase production and will be impossible to administer, resulting in utter confusion and friction between farm-

ers, and sections of the country opening new areas of production. Production costs will be increased through such a program. Problems in landlord tenant operations and relations will also be created. Due to past methods of distribution of acreage many producers who furnished small allotment holders acreage will be forced to buy back their original acres. This will create an additional hardship for many producers as they are financially unable to purchase such acreage.

The CHAIRMAN. Our next witness is Mr. D. C. Prince of Lubbock Cotton Exchange.

I do not know whether you are going to appear separately or all together.

Mr. PRINCE. I was scheduled to appear next Thursday between 10 and 11 o'clock. I would like to appear then. There is a group here ready to testify now, I understand.

The CHAIRMAN. You mean the day after tomorrow?

Mr. PRINCE. Yes.

The CHAIRMAN. You would rather come here Thursday and testify?

Mr. PRINCE. Yes, sir.

The CHAIRMAN. That is all right. Our next witness is Mr. George H. Traylor, Jr. We will be glad to hear from you now.

STATEMENT OF GEORGE H. TRAYLOR, JR., REPRESENTING THE TEXAS COTTON ASSOCIATION

Mr. TRAYLOR. Mr. Chairman and members of the committee, thank you for allowing me to appear here today.

My name is George H. Traylor, Jr. I live in Lubbock, Tex. I am an independent cotton merchant.

This statement is made on behalf of the membership of the Texas Cotton Association.

The real answer to a healthy future for U.S. cotton lies in its moving into mills to be spun into yarn, rather than accumulating in so-called surplus stocks. The reason I say so-called surplus stocks is that they have not piled up as a result of poor demand. Rather, because of price support programs which deny the absolute necessity of a farmer's interest in maintaining and promoting true markets for his cotton. In other words, selling what he grows. Instead, through the years, these programs have left the impression on many producers that Commodity Credit Corporation loans represent a legitimate market in themselves.

You cannot blame the producer—he has acted as most businessmen would under the circumstances, especially those who have been operating in a subsidized economy such as ours. He has been fairly well satisfied with the price; there has been no effort made to show the value of selling his cotton to an independent merchant, who must and will see that it ends up in a mill opening room, as opposed to “putting it in the loan”; there has been no mention made of the inevitable disastrous results of this reliance on the loan as a market for his product.

We all know the offtake of our cotton has been steadily decreasing, while world consumption grows. Specifically one area of consumption—exports—has been particularly disappointing this year. The 22 counties of the South Plains of Texas alone, could have, under a realistic program, changed this picture drastically.

I emphasize this area because I live and operate my business there, and am fairly familiar with its economy, which is totally dependent

on cotton. This section produces around 2 million bales per year—about one-seventh of the total U.S. cotton crop. The hard-working farmers there have succeeded in producing a completely merchantable crop at the lowest cost per unit of any place in the belt. Given the opportunity, they can even further reduce costs and improve quality. They have approached a happy medium of quality versus cost which is admirably suited to export markets. The reason their cotton is so adaptable for export is that foreign spinners can overcome the slightly lower quality through cheaper labor, plus the lower cost of raw material. In spite of these advantages, however, out of the 1964-65 South Plains crop, approximately 70 percent was attracted into the loan, and there it will stay. Had this cotton sold instead, we might be looking at over 5 million bales of cotton exported this year, instead of less than four.

So you can see, here in this relatively small area, the adverse effect of unsound farm programs on the entire cotton economy. This effect can be multiplied many times if you include the whole Nation, because the same basic facts apply.

The vital role these cotton exports could have played in our balance-of-payments problem was well explained by Congressman Boggs in a recent speech to the House. So preservation of foreign markets for U.S. cotton is not just an idea aimed at producer benefits, but should be of real concern to every urban citizen also.

We have no doubt about the necessity for some type of income protection for our cotton farmers. Mr. Poage, in his address to our annual convention in Dallas last March, very clearly stated this need. We do, however, seriously question a program which, while purporting to protect the producer's income, destroys his markets.

So we have, under the present law: Decreasing profits for farmers; deteriorating markets for our cotton; increasing artificial surpluses; and heavy costs to the taxpayer in maintaining and administering the program. The Texas Cotton Association, an organization of independent cotton merchants, handling about 44 percent of the U.S. crop, believes that the way to the answer is through establishment of a free market for U.S. cotton, while protecting the income of the farmer. This could be done by paying a generous subsidy to the farmer on the domestic portion of his production, without limitations or discrimination because of size or efficiency of the operation, and by removing all acreage restrictions. These actions would free farmers to raise cotton for the markets of the world, and free this cotton to move into these markets at competitive prices, while assuring our producers an equitable financial return.

We believe such a program would go far toward establishing a firm foundation for future confidence in, and expansion of our industry.

The CHAIRMAN. Thank you very much, Mr. Traylor.

Mr. TRAYLOR. Thank you.

Mr. VIGORITO. Could I ask a question?

The CHAIRMAN. Yes.

Mr. VIGORITO. What would you consider to be a generous subsidy?

Mr. TRAYLOR. This, necessarily, would have to be tied in with the judgment of the Secretary of Agriculture, in view of his estimate of the probable price level for cotton. At the beginning it would be about 12 to 14 cents a pound on the domestic portion of the production.

That might be a generous subsidy. Conceivably, it could vary from year to year. I do not think that we would have to worry about a tremendously wide variation in the value of the crop operating in a free market. It tends to stabilize out. Certainly, on the low side it could be very easily higher than the projection might be for the year. Normally, I assume that the subsidy would be based on a conservative estimate of probable value of the crop, but by freeing it in this manner it would certainly leave it open to go up, you might say, without limit, whereas on the down side the cost factor and the competitive factor from our other foreign producers is going to start into it rather strenuously.

Mr. VIGORITO. One more question. By removing all acreage restrictions how many more millions of acres would be put into production?

Mr. TRAYLOR. Of course I cannot answer that. That would be up to the farmer who would again be called upon to operate this business, that portion of his business, those additional acres on the basis of the law of supply and demand. He would have to use his own judgment and look at the supply of cotton, look at the demand for cotton, and arrive at some point in there where he thought that he could continue to make money. It is conceivable that that also, as to the price could fluctuate but, eventually, it would be totally dependent on the farmer's business sense, his ability to adjust to the world market conditions for cotton.

The CHAIRMAN. Thank you very much.

Mr. JONES of Missouri. The only thing that I see in what you are suggesting, Mr. Traylor, is that if you remove all limitations on acres, then that person who is operating without limitations would still get the subsidy for that portion of his crop, would he not? That is, for the domestic portion of his crop?

Mr. TRAYLOR. For the domestic portion; yes, sir, but it would not be in the form of a loan, but it would be in the form of a direct generous subsidy payment and then his cotton would bring whatever the world market would justify. And the fact that he raised another 100,000 or 200,000 bales of cotton would be strictly up to him. If it was over-produced, then it might not make him any money to raise that other cotton.

Mr. JONES of Missouri. Would not that have the effect, though, of throwing all of that cotton into the loan—I mean the domestic subsidized portion—would not all of that go into the loan?

Mr. TRAYLOR. No, sir; that would simply be under our idea a figure arrived at based on either the actual production or on the historical production of that farmer's portion of the domestic allotment as it stands now. They would determine this—the Secretary would determine what the farmer's domestic production would be, either at the end of the season or on the basis of his historical average as to what it has been, and write him out a check for 12 cents a pound on that many pounds of cotton and the cotton that he raises would then be raised for sale and it would sell at whatever price it would bring. There would be no loan.

Mr. JONES of Missouri. That subsidy would amount to over \$540 million a year then.

Mr. TRAYLOR. Based on this past year's production, it would come to \$570 million a year and that is less—considerably less—than the

cost of our present program, plus the fact that there would be no cotton siphoned into the loan stocks. It would be inventoried by the shippers and the merchants instead of by Uncle Sam.

Mr. JONES of Missouri. Would not we obtain a better situation if we would just pay those smaller growers that same subsidy with the understanding that they would produce no cotton?

Mr. TRAYLOR. Mr. Jones, I am of the opinion that we are dealing with two entirely separate areas here, one of which should, in my opinion, fall more into the social welfare area, the other into the consideration of the economic aspects of the cotton industry; that is, the commercial farming cotton farming industry. And I assume that the Congress would protect those farmers at a minimum of detriment to the taxpayer. And if that is the route they take, I think that we would certainly have no objection to that sort of a thing, just a payment of an amount of money and no production.

Mr. JONES of Missouri. I would seem to me that under this plan that you propose that the only cotton that could be handled by the cotton merchant would be that cotton that is produced on the unlimited basis. I think all of the domestic cotton would go into the loan; would it not?

Mr. TRAYLOR. No; under our proposal there would be no loan. There will merely be a check sent to the farmer based either on his production or on his actual projection or his historical production for the domestic portion of his allotment.

Mr. JONES of Missouri. You would keep the domestic allotment at a fixed figure—that would not vary up and down—you would take it at what it is now, is that right?

Mr. TRAYLOR. That is correct. And send him a check for whatever in the Secretary's opinion it would take to bring his total income up to a reasonable level. It would have to be higher than our present subsidy, because it is based only on the domestic portion, or it could be on his total production within a certain quota, whether it is 16 million acres or 10 million acres as the figure that you use—that would not be important—just so many acres. The more acres, the less pounds you would have to pay for—the dollar amount would come out the same.

The CHAIRMAN. Will you yield right there?

Mr. JONES of Missouri. Yes.

The CHAIRMAN. I asked the Department for information as to the effect of placing cotton on a competitive bid basis in the world markets. It would be around 16, 17 cents, if we exported 6 million and for 5 million it would be around 22 or 23 cents. These figures came from the Department. Do you agree with those figures?

Mr. TRAYLOR. That price you are quoting is the average price—that is what they mean, in order to export 7 million bales of cotton, the average price through the year would have to be——

The CHAIRMAN. This is a projection of the world market prices. I do not know that anybody wants to grow cotton for any one of these prices, 16 cents or 17 cents or 22 cents or 24 cents.

Mr. ABERNETHY. If I may interrupt, I think it would be helpful to know what they base these figures on. I am not saying that it is wrong. What is the background for it?

The CHAIRMAN. Here is the background. This shows what has happened in the world if the markets go up.

Mr. QUIE. The world market price then below 20 cents?

The CHAIRMAN. I do not know.

Mr. QUIE. In 1958 they would never have suspected that the feed grain production would increase by a million bushels.

The CHAIRMAN. We are trying to find out. Here is a cotton merchant.

Mr. TRAYLOR. Personally, I do not agree. We are looking at the average. It is conceivable that immediately after the announcement you could not sell a pound of cotton for a nickel.

Mr. HAGEN of California. As I understand it, under your proposal there would be no loan, but you would assume that all of the domestic allotment would get the world price plus the payment, is that correct?

Mr. TRAYLOR. They would get the world price on all of their production.

Mr. HAGEN of California. But the payment would relate only to the domestic allotment.

Mr. TRAYLOR. Yes, sir. That is correct. That is exactly right.

Mr. HAGEN of California. And any other cotton that is beyond the domestic allotment they would be selling at the world price?

Mr. TRAYLOR. Yes, sir.

Mr. HAGEN of California. Thank you.

Mr. QUIE. I think that he has a good suggestion here. There is one thing that I want to say and that is that by silence we do not want you to understand or to get the impression that we are all opposed to limitations on payments. I think that in wool it has been operating good. There was a proposal for graduated payments for wool. I think that if we are going to free it up we ought to have limitations on the payments. In wool the biggest producer received only \$44,672. And in cotton, some cotton producers have received a million dollars. And if the Federal Government is going to spend this kind of money there ought to be a limit as to the amount that would be required to be paid to a farmer. It seems to me that if a farmer gets a \$10,000 payment, that ought to be it.

The CHAIRMAN. Thank you. We will call our next witness.

The next witness is Mr. Thomas E. Avent of Fresno, Calif.

We will be glad to hear you now.

STATEMENT OF THOMAS E. AVENT, PRESIDENT, WESTERN COTTON SHIPPERS ASSOCIATION, FRESNO, CALIF.

Mr. AVENT. Mr. Chairman and members of the committee, my name is Thomas E. Avent of Fresno, Calif. I am in the cotton merchandising business as a vice president of Allenberg Cotton Co. and am currently president of the Western Cotton Shippers Association, which I am representing here today.

Together with all those here today, these hearings are of vital concern and, to us in the West, of utmost importance from standpoints unique to other areas.

Within the area of the Western Cotton Shippers Association, we have qualities of cotton grown which have proven to be outstanding in all respects—from yield per acre to spinning qualities highly sought after by mills—both domestic and abroad. We also have other

varieties grown with yields equally as fruitful and spinning qualities as fine as cotton from most any other area. Due to price differences, this latter cotton has primarily gone into the export market, but this past year many of our domestic mills went to this cotton when the supply of finer cotton was exhausted, or the price differential was so great the mills were forced to use the cheaper cotton. I am pointing out this fact to bring to your attention that the great majority of cotton grown in the area from El Paso westward goes into the hands of the consumer, both export and domestic, and not into the Government loan program to be cataloged and stored at the expense of the taxpayers.

We feel that a general reduction of acreage, as proposed here, is an unfair penalty to the economy of our area which produces that cotton most in demand by the markets throughout the world. I am sure you gentlemen have statistics on the volume of cotton going into the Government loan program from each State and area, therefore it is unnecessary to go into those details—I do have these details, in case you ask for them—but to reduce the acreage on that cotton which is most in demand, along with that which historically enters the Government stock year after year, certainly doesn't seem practical. At this point, I realize that I am advocating a position of "Reduce the acreage—but leave mine alone," but there are other areas the same as those in the West that consistently sell above the loan value and these should also be recognized. Therefore, for these simple and sound reasons, we of the West are thoroughly opposed to any generalized acreage reduction as proposed in this bill, but would like to see a study made of the cottons in the Government stocks to determine that cotton which is now being grown for the Government loan and cannot compete in the markets today. Then, if any reduction of acreage is made, may it be proposed on the basis of the potential value of that cotton in the world market and not a Government loan.

Since our association, which I represent, is a regional part of our parent organization, the American Cotton Shippers Association, also represented by testimony here today, I would like to comment on other sections of this bill without being too repetitious. It is our wholehearted opinion that a free market for cotton must be encouraged. This, in effect, means:

Point 1. A price to both foreign and domestic customers that will compete with synthetics and foreign growths.

Point 2. A method to maintain the economy of the American cotton farmers by the simplest and most economic means.

These two points are the basic problems we are faced with today.

On the first point, a Government loan should be established that will act as a disaster loan, rather than a marketplace—a floor rather than an umbrella. Our exports are down this year due to one reason—American cotton is priced out of contention with other growths and this is because of the Government loan level, which makes the U.S. Government the buyer and competitor in the world market.

Without the export sales under Public Law 480 funds whereby the foreign buyers are forced to buy American cotton, our free dollar sales in the world market are a mere pittance. And this is at a time when our balance of payment is at a very low ebb. Consequently, we should agree that the Government price must be too high and should be reduced on a scale that will eventually put our cotton back on the

market counters throughout the world. We hope this can be accomplished in such a manner that the price on American cotton will not be a target for other cotton-producing countries to aim for each year.

Point 2. That of maintaining the economy of the cotton grower. None of us like subsidies and it seems that the stigma of accepting a Government subsidy must, in some way, be disguised or accepted through the back door—yet accepted—and even demanded, in some cases. The fancy window dressing to disguise the cotton subsidy to-day seems to be the fashion, when it is, in effect, the producer who ultimately benefits. It is the producer whose economy we must maintain—it is the producer who will be so vitally affected by price reduction—it is the producer whose production costs are constantly rising—and it is the producer who must accept the fact that it is, in reality, his product which is being subsidized. For these simple reasons, aside from the ethics and egos involved, subsidy payments must be made to the producer to accomplish a workable economic program to all concerned. In advocating this position, we are merely attempting to find a simple solution to a problem made difficult by antiquated and unrealistic laws—outmoded in modern-day progress by a maze of artificiality. We are not in any way attempting to burden the producer involved with an unbearable situation he cannot live with in our effort to help him to help himself.

Understandably, the position thrust upon the Government and you gentlemen in writing a workable bill, which will attempt to satisfy all interests concerned and at the same time reduce the tremendous cost of the present program, is a difficult task. I hope that the testimony given here may, in some way, help you to reach the decisions needed in writing an equitable and workable bill most economical for all concerned.

I thank you for the privilege and opportunity of appearing before you and stating the views of our organization.

The CHAIRMAN. Thank you very much, Mr. Avent. We are very glad to have your views.

We will now call on Mr. R. H. Allen, Jr., of the Southern Cotton Association. We will be glad to hear you now, Mr. Allen.

STATEMENT OF R. H. ALLEN, JR., OF R. H. ALLEN & CO., MEMPHIS, TENN., VICE PRESIDENT OF THE SOUTHERN COTTON ASSOCIATION

Mr. ALLEN. Mr. Chairman and members of the committee, my name is R. H. Allen, Jr., of R. H. Allen & Co., Memphis, Tenn. I am vice president of the Southern Cotton Association, which represents the cotton merchants and other allied firms of Tennessee, Mississippi, and Louisiana. I am presenting this testimony in behalf of our president, Mr. W. B. Dunavant, Jr., of Memphis, who is unable to be here.

We would like to preface our comments on the provisions of H.R. 8149 by saying that the cotton industry, if it is to survive, must have a one-price system. Our domestic mills deserve it; the rest of the cotton industry must have it.

U.S. cotton has to become highly competitive in world markets immediately; otherwise, we will completely lose our export markets in a few years. To achieve this objective, we must allow our price to be determined by the free world market price. Our price must be

at a level which will discourage continued increases in foreign production. We can improve our balance-of-payments position by increasing cotton exports to free-dollar markets. With a fully competitive price, our share of the export market should expand, and we should set a minimum goal of 7 million bales. The one-price system would continue to increase our domestic consumption.

The following are our views on H.R. 8149 :

(1) We are totaly opposed to reducing our national acreage allotment from 16 to 14 million acres. Such a provision would not only penalize our farmers, but every other segment of our industry. Every community in a cotton-producing area would directly feel the impact of such a drastic reduction. Indirectly, but very substantially, other areas of our economy would be affected.

(2) To accomplish a true one-price market for cotton, we feel that the U.S. price should be at the world price and equalization payments paid directly to the producer when he sells his cotton.

To insure the producer a fair return for his crop, this payment should be based on the difference between the market price and a percentage of parity set each year by the Secretary of Agriculture. We oppose any limitation of payments to individual producers. By a direct payment program, the Government would be able to cut its administrative and operational costs tremendously.

If payments are made directly to the producer on the 1966 crop, all merchant and mill stocks should be protected by payments to these parties on all old-crop cotton in their inventories on July 31, 1966.

(3) We are opposed to additional price support of those planting within their domestic allotment except for the 15-acre producer. We do not feel that any producer should be paid for leaving land completely out of cotton production. This does not lay the groundwork for an expanding cotton economy.

(4) We are in general agreement with the other provisions of H.R. 8149.

We feel that H.R. 8149 is a workable bill if our suggestions are followed.

The CHAIRMAN. Thank you very much, Mr. Allen.

We are very glad to have heard your views.

We will now call on Mr. Stewart Sanders, Pine Bluff, Ark. We are very glad to have you here.

STATEMENT OF STEWART SANDERS, PINE BLUFF, ARK., PRESIDENT, ARKANSAS-MISSOURI COTTON TRADE ASSOCIATION

Mr. SANDERS. Mr. Chairman and members of the committee, my name is Stewart Sanders of Pine Bluff, Ark. I represent the Arkansas-Missouri Cotton Trade Association as president.

[Million bales]

	1911	1964
U.S. cotton production.....	15	15
U.S. cotton exports.....	10	4
Foreign production.....	7	36

This progress chart would look bleak on the walls of any U.S. business enterprise, and the cotton industry is no exception.

The Arkansas-Missouri Cotton Trade Association is concerned about the condition of our industry and will cooperate to any reasonable extent to obtain progressive cotton legislation.

By progressive legislation, we mean legislation that will return the cotton industry to private interest while allowing the farmer to make the adjustments necessary to a supply-and-demand economy. The American farmer cannot logically produce cotton at American costs levels and sell at world market prices at this time. Therefore, we must either receive new constructive and beneficial legislation, or retreat to the confines of domestic mill consumption.

To reduce the price of cotton and simultaneously maintain the income of the farmer requires considerable maneuvering. As both conditions must be dealt with, the only solution is expanded markets. It takes time to build markets, and we ask legislation that will lead in the direction of expanded markets while allowing the required time.

The only problem with the cotton fiber itself is price. Domestic interest has been sharply revived in the first year of "world price" cotton. To regain and expand world markets, we ask legislation that will provide a price for our cotton low enough for it to sell consistently in world markets despite probable price maneuvering by foreign producers.

The problem of farm income is more complex. The farmer must stand naked in our subsidized economy and ask aid from a primarily urban society. But the prices of machinery, tools, chemicals, and other farm supplies have spiraled steadily upward until the farmer must be assisted until he is able to make adjustments to new and lower price structures. We ask that direct compensatory payments be made to the farmer without limitation as to the size of his operation. We expect that these equalization payments can be discontinued when the effect of greater markets, technical advances, and man's natural adaptability takes hold.

The problem of making the one-price system work domestically lies squarely across the shoulders of the mills. Domestic consumption and potential market expansions depend on how efficiently and conscientiously the mills transmit price reductions to the consuming public.

We ask the incorporation of any measures that may be designed to promote the production of cotton with high spinning qualities as opposed to low or average quality cotton and cotton produced with little prospect of disposition other than to the Government loan.

I thank you.

The CHAIRMAN. Thank you very much.

We will go off the record.

(Discussion off the record.)

The CHAIRMAN. Unless there is something further, at this time, we will recess until 10 o'clock tomorrow morning.

Mr. JOHN C. WHITE (counsel, American Cotton Shippers Association). Mr. Chairman and members of the committee, I have a state-

ment by Mr. Ivy R. Brown, president of the Oklahoma State Cotton Exchange which I should like to have placed into the record at this point.

The CHAIRMAN. It will be made a part of the record at this point, unless there is objection.

It is so ordered, hearing no objection.

(The statement referred to follows:)

STATEMENT OF IVY R. BROWN, PRESIDENT, OKLAHOMA STATE COTTON EXCHANGE

My name is Ivy R. Brown. I am in charge of a group of gins in western Oklahoma through which normally is purchased some 30,000 to 35,000 bales of cotton each year. At this time I am also president of the Oklahoma State Cotton Exchange with an associate, broker, and merchant membership of approximately 50, handling Oklahoma cotton.

In regard to the proposed cotton legislation let me say that in my opinion any cotton program must contain the following basic features.

1. Any loan rate which might be established should be at a protective level which will result in a price designed to keep cotton out of Government-owned surplus.

2. We must maintain a one-price system that will move cotton into the channels of trade at prices which will be determined by the law of supply and demand.

3. The difference between the world (or free market price) and the price paid to the producer in such amount as to maintain his income and assure a sound national agricultural economy, must be paid directly to the producer without limitations on the payment to any individual farmer.

4. We must be aware that without consumption there is no economic justification for production. Essentially, over the long term, consumption must equal production. There is no economic justification for a policy which does not sell for consumption substantially all of each year's production.

5. We must maintain our national acreage allotment at a minimum of 16 million acres or more.

The Cooley bill meets a part of these requirements; specifically as the one-price system, and is friendly to the direct payment to the producer.

However, in my opinion H.R. 8149 will not reduce Government stocks to the extent needed. It is my understanding that the bill carries the provision that the support price shall be 65 to 90 percent of parity. Parity constantly increases as the value of the dollar decreases. This will mean that the loan will continue to price cotton out of the market; prices would not be determined by supply and demand and we would continue to have the same problems with exports and synthetics that we have had for 20 years.

As to the direct payment to producers, I am utterly opposed to giving the Secretary of Agriculture further discretionary power to determine where subsidy payments will be made. We have seen how this worked last year. The legislative authority belongs to the Members of Congress. An item of such importance should not be left to the administrative department.

Let me say here that in our organization our buyers buy direct from the producers and not once have I heard a producer make the statement that he would be reluctant to receive a direct subsidy. Our farmers are well aware they are receiving subsidies in whatever way—they also know they are helping pay for it when storage, sales losses by CCC, etc., are passed back to them.

As to the proposed reduction of our minimum national acreage allotment to 14 million acres, it surprises me that anyone could consider this the answer to our surplus problem. Certainly it might help 1 year, perhaps 2; but the underlying cause of our present surplus would still be with us—cotton stocks that are non-competitive with foreign growths, and domestic stocks priced out of competition by synthetics. The inevitable end would be a national allotment of around 8 million acres, or just enough to make the United States a residual supplier to whatever part of the domestic market is left by synthetics.

We must realize that farm production costs are high; now we must also realize that a controlled economy such as we now have dictates that a further gradual rise in production costs is inevitable. It is unthinkable that we would be able

to subsidize enough to sustain farmer incomes and our national agricultural economy with allotments one-half of what they are now.

Gentlemen, we have all seen the figures, but let me remind you that from 1952 to 1964, the use of cotton in the world has increased 33.9 percent while the use of American cotton has only increased 5.3 percent. Foreign production has increased over 11 million bales since 1952, while American production in the current year is approximately the same as in 1952. All of this has been accomplished at great cost to the American taxpayers. Add to this the increasing loss to synthetics each year because of unrealistic prices and it can easily be seen that this situation cannot be helped by modification of existing programs. Our only hope lies in a completely new program, encompassing in some way the five steps proposed.

The CHAIRMAN. We will now stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12 noon the committee adjourned to reconvene at 10 a.m., Wednesday, June 2, 1965.)

COTTON LOAN PROGRAM

TUESDAY, JUNE 1, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COTTON
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to call, at 3:01 p.m., in room 1304, Longworth House Office Building, Hon. E. C. Gathings, chairman of the subcommittee, presiding.

Present: Representatives Gathings, Abernethy, Jones, Hagen, de la Garza, and Walker.

Also present: Martha Hannah, staff assistant; and Francis M. LeMay, staff consultant.

Mr. GATHINGS. Mr. Godfrey, would you come around and give us your views with respect to the cotton loan program. Today's meeting is a followup to discussions that were held in the full committee last week on this subject. While the issue was touched upon, I don't believe that it was in as great detail as is necessary.

If you would, Mr. Godfrey, give us the background information with reference to the loan program and how it has been handled in the past.

As I recall your testimony before the full committee, you stated that originally the county office was the agency through which these loans were made, and then subsequently, along about 1952 or 1954, I believe you stated that the present system was inaugurated, and the clearing through of the New Orleans office.

Would you give us this background and how successful was it when it was handled through the various Agricultural Soil Conservation county committees?

STATEMENT OF HORACE D. GODFREY, ADMINISTRATOR, AGRICULTURAL SOIL AND CONSERVATION SERVICE; ACCOMPANIED BY JOSEPH A. MOSS, DIRECTOR, COTTON POLICY STAFF, AGRICULTURAL SOIL AND CONSERVATION SERVICE; WOODROW E. JONES, DEPUTY DIRECTOR, FARMER PROGRAMS DIVISION, AGRICULTURAL SOIL AND CONSERVATION SERVICE; AND JOHN W. VAUGHAN, DEPUTY DIRECTOR, FISCAL DIVISION, AGRICULTURAL SOIL AND CONSERVATION SERVICE

Mr. GODFREY. Mr. Chairman, I do not have a prepared statement. Mr. LeMay called me this morning and asked if we would be here, and I understood that he wanted us here to answer any questions that might come up in regard to the handling of the loan program.

Mr. GATHINGS. We would like for you to do that too, but if you would give us some background information from which we can start this discussion, it would be appreciated.

Mr. GODFREY. Well, if you want to go all the way back to cotton price support operations in 1934, and I will be talking from memory here, so some of this will stand correction, I expect when I look at the record. The cotton price support operations in the early years of Agricultural Adjustment Act programs included, in addition to the cotton loan program, cotton adjustment payments under which a direct payment was made to all cotton producers on the amount of cotton sold by them.

Then beginning in 1936 and 1937, we operated under the original Soil Conservation and Domestic Allotment Act of 1936, without marketing quotas.

In 1938 we began operating under the Agricultural Adjustment Act, which called for marketing quotas, acreage allotments, and price supports to cooperators at mandatory levels. The mandatory levels were at a low level of the parity price.

I will not attempt to enumerate the different methods of operation, but since that time we have operated under practically every conceivable method known in supporting cotton prices. We have operated with loans being made through the county offices and also through lending agencies. Lending agencies at one time were approved entirely by our commodity office in New Orleans. Subsequent to that, in 1952, they were approved by our county offices. Clerks approved to execute loan papers could be employees of banks, warehouses, gins, or merchants, or the loan papers could be prepared in the county ASC office. When I say ASC office, prior to that it was the P. & M.A. office, and prior to that the AAA office. I would like to submit for the record a statement which reviews how price support operations have been carried out since 1933.

(The information follows:)

RÉSUMÉ OF COMMODITY CREDIT CORPORATION'S COTTON PRICE SUPPORT PROGRAMS

Loans have been made by Commodity Credit Corporation on cotton of each crop year since and including 1933, except the crop of 1936. During this period loan rates, basis Middling 1-inch at average location, have varied from a low of 8.75 cents per pound in 1939 to a high of 34.55 in 1955, the range in parity from 52 percent in 1938 to 95 percent in 1944, and the loans from \$1,500,000 on 8,000 bales in 1950 to \$1,294,600,000 on 8,088,000 bales in 1963.

During the early years of the price support program the loan rate was at a relatively low level. In some years price adjustment payments were made to producers to supplement the price received on cotton marketed. Under the agricultural conservation program for the years 1938 through 1943, payments were made to producers on the basis of the farm normal yield and the farm acreage allotment. In addition, in some years so-called "parity" payments were made to producers to supplement prices received for cotton marketed (as supported by low-level loans) and payments under the agricultural conservation program.

During the early loan years, loans were made by CCC on cotton at only two loan rates. Loans under the early programs were made to producers either directly by CCC or through local banks, cotton cooperatives, or others acting under instructions from CCC, later transmitting the loan documents to CCC. The loans were secured by warehouse receipts (insured warehouse receipts in 1934 and thereafter).

In 1937 the number of loan rates was increased to six and CCC began approving warehouses for the storage of CCC cotton. In 1938 a simplified table of

premiums and discounts was incorporated into the program. In 1939 the number of rates was increased to cover all grades in the Universal Standards except the very lowest grades (below low Middling), location differentials were introduced, and CCC first entered into special agreements with cotton cooperative marketing associations (co-ops) under which CCC made the loans to the cooperatives on behalf of its members. In 1941 lending agencies were first required to enter into agreements with CCC. Also, loans were made at different rates on each grade (within the Universal Standards) and each staple length.

Since 1941 substantially all of the loans (other than loans to co-ops) have been made to producers under generally the same procedures and in the same manner, except for the 1952 crop and minor changes in recent years which will be discussed later, as follows: The producer had his cotton ginned, the bales were sampled for a Government class and delivered to a CCC-approved warehouse for storage. Upon receipt of the warehouse receipt and class cards, the producer took them to a CCC-approved clerk, who was usually located at a lending agency (bank, ginner, merchant, or other person who had entered into a lending agency agreement with CCC for making loans), to have his loan document (CCC cotton form A) prepared. Cotton of only one grade and staple length could be included on one form A. The producer then presented the completed form A, warehouse receipts, and class cards to the lending agency that disbursed the loan as directed by the producer on the form A. Lending agencies were required to transmit the loans to the New Orleans office within 15 days after the loans were made. The producer was given a copy of the form A which, through 1948, contained an equity transfer agreement for his use in selling his interest in the cotton to another. From 1949 through 1961 the equity transfer form was mailed to the producer upon acceptance of the loan documents by the New Orleans office. Since 1961 the producer could list all qualities of cotton on one form A. Also, the equity transfer was obtained from the county office and any bale or bales could be included on the form. Until 1962 the warehouseman storing the cotton was required to execute the warehouse agreement (containing the terms and conditions under which the cotton was stored) on each form A and since that time CCC has entered into individual agreements with the warehouseman.

The loan documents under the 1952 program (referred to above) were prepared for the producer by approved clerks and the loans made to him by the lending agency as under the earlier programs. Once the loans were made, the documents including the warehouse receipts could be held by the lending agency but when tendered to CCC were delivered to and held by the county offices, until the loan was repaid by the producer or his equity purchaser or the loan matured. All qualities of cotton could be pledged on one form A and any bale or bales could be redeemed from the loan at the lending agency or county office where the documents were held.

In addition to form A loans as described above and the form G loans to co-ops, under the cotton price support programs farm storage loans were made available to producers under the 1944 through 1946 programs and the 1952 through 1958 programs, form A loans were available on cotton covered by bills of lading under all programs since and including the 1949 program. Purchase agreements were available on cotton under the 1952 program and purchases were made directly from producers under the 1944 and 1945 programs at parity and under the 1959 and 1960 programs at the choice A rate. There was relatively little activity under the three features of the cotton loan program. However, a substantial number of bales (19,300,000) was purchased under the four purchase programs. Also, under all programs, price support has been available on cotton directly from CCC, either through the New Orleans Commodity Office, the county office, or both.

Beginning in 1962 county offices were given further authority and duties in connection with the loan program such as issuing equity transfer forms. Also, in 1963 the State committee was authorized to forgo recommending the use of lending agencies in any county where it was determined that producers could be adequately served by the county office (this change was made primarily to relieve a limited number of banks from serving as lending agencies in small cotton-producing counties). In 1964 county offices were authorized not only to assist producers in preparing loan documents but also to disburse loans. About 135,000 bales were placed under loan through county offices during the 1964 crop year.

During the 1959 and 1960 programs, we operated the purchase program through purchasing agents. These agents were approved by county committees, and subsequently they entered into the purchasing agents control with the New Orleans commodity office.

This, as you recall, was the choice A and B program.

Mr. GATHINGS. Oh, yes.

Mr. GODFREY. Under which we made purchases under the A program, and under the B program we made loans.

During that time the purchases were made by the approved agencies, and if I recall correctly, they designated a bank where the warehouse receipts were stored and subsequently transferred to the commodity office, unless the cotton was sold by a selling agency. In some instances, as you recall, the purchasing agent and the selling agent were one and the same. This was in 1959 and 1960.

Sometime during the latter 1950's, where a producer wanted to transfer whatever equity he might have in cotton to someone else, we required that the transfer be witnessed by a witness approved by the county committee. Originally this was any person of legal voting age that could certify to the producer's signature.

We found many abuses of the equity transfer, not only through our own audit system but through the audits of the General Accounting Office.

Mr. GATHINGS. That was in the late 1950's, as I understand?

Mr. GODFREY. Yes. So we changed the witness provision for equity transfers to require that witnesses be an employee of the county ASC committee, or an employee of the U.S. Department of Agriculture.

The primary purpose in changing this was because of the abuses that we had found in the audits where the equity transfers had been signed at the time the loan was made. Therefore, whoever held the equity transfer stood to benefit by any accrued equity in the cotton that might exist.

We later modified this a little and provided that others could be approved as witnesses to equity transfers. We still found the same abuses through audits and investigations. So we then made the equity transfer a separate piece of paper, not a part of the original loan document itself. For several years the commodity office furnished this separate equity transfer form to the producer covering cotton under loan. This was discontinued in 1962, however, when we found the amount of paperwork was disproportionately large in relation to redemption of cotton by equity purchasers. Since that time we have provided that the equity transfer form could be requested from the county ASCS office by any farmer who desired to transfer his equity in the cotton before the expiration of the loan.

We have had in existence for many years a standard power of attorney which is used under all of our price support programs except cotton. We expect to use it for cotton this year.

Mr. GATHINGS. Would you submit a copy of that so that we can take a look at it?

Mr. GODFREY. Yes, sir.

(The power of attorney referred to above follows:)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute, and appoint

_____, of _____, (POST OFFICE ADDRESS)

_____, County, State of _____, the true and lawful attorney for and in the name, place, and stead of the undersigned in connection with the

the following agricultural programs, numbered _____, under the jurisdiction of the United States Department of Agriculture, administered through ASC County Committees:

1. All Programs
2. Price Support Programs
3. National Wool Program
4. Emergency Feed Programs
5. Soil Bank Programs
6. Agricultural Conservation Programs
7. Marketing Quota and Acreage Allotment Programs
8. Sugar Programs
9. Naval Stores Conservation Programs
10. Farm Storage Facility Loan Programs
11. Purchase and Diversion Programs Under Section 32 of P. L. 320, 74th Congress
- 12.

The undersigned gives and grants unto said attorney full authority and power to do and perform all and every act and thing whatsoever requisite and advisable to be done under such programs, including but not limited to, the selling and delivery of a commodity, the signing of an application, the borrowing of money, the receiving of payments, the executing of real or chattel mortgages, the signing of promissory notes, loan and pledge agreements, and all other applicable documents, and the making of reports, as fully to all intents and purposes as the undersigned might or could do if personally present, hereby ratifying and confirming all that said attorney shall lawfully do or cause to be done by virtue hereof.

This power of attorney shall remain in full force and effect until written notice of its revocation has been duly served upon the _____ ASC County Committee, _____,

(Over)

FORM ASCS-211 (Reverse)

The foregoing power of attorney set forth on the reverse side of this page is signed and dated at _____, _____, this _____ day of _____, 19____.

Witnesses: _____ Signatures: _____

ATTEST: (Affix Corporate Seal) _____ Signature of Corporate Principal 1/

(CORPORATE PRINCIPAL)

(SIGNATURE OF ATTESTING OFFICER) By _____

(OFFICIAL TITLE)

ACKNOWLEDGMENT 2/

1/ If a corporate principal, sign and affix seal in appropriate places; if no corporate seal, so state.
2/ Insert here and have executed the form of acknowledgment required by law of State where property is located with respect to which power of attorney is given.

Mr. GODFREY. Under this power of attorney, any producer participating in a program can designate another to act in his stead. Since we made the equity transfer a separate document, separate and apart from the loan papers, we have noticed a tremendous increase in the use of the power-of-attorney procedure. Upon some audits and investigations we find that many of these powers of attorney are executed by farmers, without knowledge of what they are actually executing, at the same time that they sign the loan papers. In fact, the power-of-attorney forms are executed with a farmer showing his address in care of a buyer of cotton, a warehouseman or a ginner, rather than showing his own post office address.

This, in effect, means that any farmer placing his cotton under loan, whether he is aware of it or not, and signing a power-of-attorney form, not knowing that he is signing a power of attorney, but thinking that it is a part of the loan papers, could have that cotton redeemed by someone else and sold at a profit without the farmer ever knowing anything about it.

We found many, many abuses of this kind. In addition, we found many bales of cotton that had been purchased directly from producers and subsequently placed under loan by the buyer. This is ineligible cotton. Only the producer of cotton is eligible to place it under loan.

Our audit reports of lending agencies last year, revealed many, many irregularities in the handling of the loan program. In the handling of grain loans, we have found that for years it is most desirable and most economical to handle these loans in the county office. Therefore, all loans on grains have been disbursed from the county ASCS offices for a number of years, actually, since the loan documents are retained in the county office along with the warehouse receipts.

Mr. GATHINGS. Now, how does the farmer get a loan on his grain through the county office?

Mr. GODFREY. If it is a warehouse stored commodity, he carries his warehouse receipt into the county office. They execute the loan papers on the spot and give him a draft on the spot before he ever leaves the office. If it is a farm stored commodity, and we have changed the procedure in this regard in the last 2 years, he comes in and makes application for a loan and pays a service fee. This gives him a right to execute a loan document at any time between that date and the final date for applying for a loan. We then will make him an advance based upon an estimated amount of the commodity that he has stored on the farm. We inspect the facility at the convenience of the ASC community committeeman, make measurements to estimate the quantity; the quantity cannot be determined to a precise bushel, so we allow for a margin of error and we make him what is known as an advance.

If he subsequently redeems his loan, he pays back the advance, plus interest. If he does not, then he delivers the commodity to us in satisfaction of the loan. If he over-delivers, we settle with him for the over-delivery. If he under-delivers, then he owes us the balance for this, plus interest.

This is the way it has functioned on grain.

Now, we reviewed the cotton loan situation at the insistence of our auditors and investigators and the General Accounting Office. Because of the——

Mr. GATHINGS. What? I didn't catch one word. You did what?

Mr. GODFREY. We reviewed our entire loan operation on cotton.

Mr. GATHINGS. Reviewed.

Mr. GODFREY. Yes; at the insistence of our auditors, our investigators, and the General Accounting Office, because of the many abuses that they had found of the loan program on cotton.

We tried to devise ways and means of operating a cotton loan program which would be a cotton loan program for farmers and for no one else, because this is the way the cotton loan program is authorized by the Congress—for farmers, not for buyers, not for warehousemen, not for ginner, not for lending agencies, but for farmers.

Mr. GATHINGS. Explain just how this system has been working in the crop year 1964. Explain now if you were the farmer how you would have your cotton handled if you wanted to put it in the loan. You go to the gin with your cotton. Now what would you do?

Mr. GODFREY. I have a prepared sheet of paper here that many people have not taken the time to read, I am sure, or there would not be the criticism that now exists of what we are planning to do. This is a one and a half page document which outlines how the program operated last year and how we plan to operate it this year.

Mr. GATHINGS. But now you are the farmer. You have just gotten to the gin and you have two bales of seed cotton on that wagon and you want to get it into loan. The market price and the loan price being about equal.

What would you do?

Mr. GODFREY. To begin with, Mr. Chairman, I wouldn't know whether it was near the loan figure or not.

Mr. GATHINGS. You would want to put it into the loan. What would you do?

Mr. GODFREY. I wouldn't know.

Mr. GATHINGS. I know you want to put it into the loan that day that you carried it into the gin. You had that in mind.

What would you do?

Mr. GODFREY. Well, Mr. Chairman, I have got to go back and explain that this is an impossibility.

Mr. GATHINGS. It is an impossibility to do what?

Mr. GODFREY. Because——

Mr. GATHINGS. Put it in loan?

Mr. GODFREY. Because you are speaking of me as a farmer——

Mr. GATHINGS. Yes.

Mr. GODFREY (continuing). And first I want to know the grade and staple of that cotton and what it will bring in the open market before I decide whether to put it under the loan.

Mr. GATHINGS. Well, now, what would you do if you wanted to put it under loan because you had just been bringing cotton to the gin every other day for the past week or 2 weeks and you know what you wanted to do? How would you proceed?

Mr. GODFREY. How would I proceed?

Mr. GATHINGS. Yes.

Mr. GODFREY. I would leave the cotton with the ginner and go home. I couldn't put it under the loan.

Mr. GATHINGS. You could not use the facilities of the loan at all, and the ginner, would he be a designated agent of the Commodity Credit Corporation?

Mr. GODFREY. No, sir. He could be my designated agent. I could give him power of attorney.

Mr. GATHINGS. Who do you designate and how does the ginner come into the picture?

Mr. GODFREY. The ginner comes into the picture according to his own desires.

Mr. GATHINGS. He desired to come in.

Mr. GODFREY. Yes.

Mr. GATHINGS. All right. Then what would he do?

Mr. GODFREY. He could give me whatever money he wanted to on that cotton.

Mr. GATHINGS. Can a ginner operate as your agent to put cotton into CCC loans?

Mr. GODFREY. As an agent of——

Mr. GATHINGS. As an agent. How does he operate?

Mr. GODFREY. As agent of whom?

Mr. GATHINGS. Does the ginner operate in conjunction with the Commodity Credit Corporation in the handling of the loan cotton?

Mr. GODFREY. No, sir. Not in 1965.

Mr. GATHINGS. He does not.

Mr. GODFREY. No, sir.

Mr. GATHINGS. And he cannot.

Mr. GODFREY. No, sir. However, he could have a clerk in his office who is approved to prepare loan documents.

Mr. GATHINGS. Well, who are your designated agents at the local level?

Mr. GODFREY. The county ASCS office.

Mr. GATHINGS. Who else?

Mr. GODFREY. That is all. We had lending agencies in the past that could advance money and disburse loans. But the ginner will not be an approved lending agency in 1965.

Mr. GATHINGS. He is not one. All right.

Now, what are you going to do now? How are you going to get into the loan if you want to get in the loan in 1964? The ginner couldn't do it. Who can do it for you?

Mr. GODFREY. Let's assume that Mr. Walker here was a ginner.

Mr. GATHINGS. All right.

Mr. GODFREY. And he would say, Mr. Godfrey, I will give you 30 cents a pound for this cotton. It looks to me like it is inch middling or inch 32 middling. I will give you 30 cents a pound. No; I say, I want to put it in a loan. He says, I will go ahead and advance you 30 cents.

He could do this on his own, not knowing whether I am an eligible producer or not. He can do this, though, as a ginner. Then he would draw a sample of the cotton. He says, I will deliver the bale to an approved warehouse.

Mr. GATHINGS. That is right.

Mr. GODFREY. The ginner. He draws a sample, sends this sample to a classing office.

Mr. GATHINGS. That is right.

Mr. GODFREY. Then when the green card comes back showing the grade and staple, he completes the loan document, which I probably signed in blank when he advanced me the 30 cents as insurance to him.

He then has arrangements with a bank who is an approved lending agency.

Mr. GATHINGS. Now——

Mr. GODFREY. He carries this—assuming the ginner is not an approved lending agency.

Mr. GATHINGS. You do have one close by.

Mr. GODFREY. The bank is; yes.

Mr. GATHINGS. All right. The bank. Now, go right ahead.

Mr. GODFREY. All right.

He then carries—fills out the loan paper showing the recipient of the proceeds of the loan.

Mr. GATHINGS. Yes.

Mr. GODFREY. Not the farmer. He carries these papers to the bank. The bank, in turn, if the farmer is to receive the proceeds, credits his account for this amount of money. Maybe they charge him a service fee or maybe they don't charge him one. I don't know. Then the bank will forward the original note and the warehouse receipts to the New Orleans commodity office.

Mr. GATHINGS. All right.

Mr. GODFREY. The New Orleans commodity office then has to check these documents to see if they are accurately prepared, to see if the cotton is eligible, and they may be 1,200 miles away from where the cotton is produced.

Mr. GATHINGS. And that bank goes to the trouble and expense of preparation of those documents itself, does it not?

Mr. GODFREY. No. Probably the ginner does. However, we have a schedule of fees which are allowed persons who prepare the papers.

Mr. GATHINGS. The ginner does.

Mr. GODFREY. Yes, sir.

Mr. GATHINGS. And under your new procedure that you hope to inaugurate, you want to turn that over to the ASC?

Mr. GODFREY. No, sir. They will still——

Mr. GATHINGS. Who is going to do it under the new system?

Mr. GODFREY. Anybody that has been doing it in the past.

Mr. GATHINGS. They could do it the same way?

Mr. GODFREY. Yes, sir.

Mr. GATHINGS. Follow up where you are. What are you going to do next?

Mr. GODFREY. Well, this is the 1964 operation. New Orleans had to check these papers and the records will show, I believe, that they had to suspend a high percentage of documents because of errors back to where they were originally filled out.

In addition, they found a lot of ineligible cotton on which loans had already been made.

In addition, they found cotton that had been purchased directly from the producer.

Mr. GATHINGS. Yes.

Mr. GODFREY. And subsequently a loan was made on it. Not to the producer but to the producer in care of whoever purchased the cotton.

Mr. GATHINGS. Don't you think you will have quite a number of errors in any type of program that would come forward in 1965?

Mr. GODFREY. If we operated on a high error percentage in ASCS, we would have to close house.

Mr. GATHINGS. You are going to do a better job?

Mr. GODFREY. Yes, sir.

Mr. GATHINGS. You think that?

Mr. GODFREY. I know this.

Mr. GATHINGS. You know so?

Mr. GODFREY. Yes, sir.

Mr. GATHINGS. Tell the story.

Mr. GODFREY. All right.

For 1965 we will operate essentially the same way as we have in the past, but with some changes which we view as improvements.

Mr. GATHINGS. How?

Mr. GODFREY. If I have cotton and carry it to Mr. Walker's gin, if he wants to advance me money, he may do so, awaiting the return of the green card showing the quality of the cotton. And more than likely he will get me to sign a loan paper. He will complete the loan paper. He can turn it in to the county ASCS office, which may be next door to the bank. They will write him a check just as he brings it in. Or he can send the documents to the bank and the bank can credit his account, and the bank can turn it in to the ASCS office, and they will get their money on the same date.

If they want to retain the certificate that we issue and let it earn interest, they can retain it. It will earn interest from the date that the loan documents were received in the county office, just as it has earned interest in the past.

Now, there is a big difference here, though.

Mr. GATHINGS. What is it?

Mr. GODFREY. We will retain the loan document, the original loan document, and the warehouse receipt, in the county office. If the farmer wants to redeem his cotton, he won't have to wait 3 to 4 weeks to get that warehouse receipt from New Orleans if he sees an opportunity to pay off the loan and sell the cotton for a profit.

In addition to this, we will be able to check the eligibility of that cotton that day. We will be able to check the execution of the loan document that day, to see if it has been prepared correctly. If the clerk is making an error——

Mr. GATHINGS. How many more people would be required at your——

Mr. GODFREY. Not near as many as now required in New Orleans to do this.

Mr. GATHINGS. The same facilities would be used at the local level that you have in New Orleans?

Mr. GODFREY. Yes, sir. Not near as many as now required in New Orleans to do this work. We have a regular staff in each county office. According to the best estimates we can get together, this regular staff will be able to handle the loan documents in the county office. In New Orleans we have to hire several hundred additional people each year during the height of the loan season to do this work.

Mr. GATHINGS. What are you going to do with this \$295,000 that we voted you last week, which was additional financing to put people to work on the ASC program?

Mr. GODFREY. Mr. Chairman, I believe you are reading the appropriation record a little in error. They cut us.

Mr. GATHINGS. I don't mean to do that. I will tell you that. I will go back over my question. I didn't mean to mislead the gentleman in any way. I do know that Mr. Natcher, of Kentucky, presented an amendment and it was adopted on the floor of the House last week, that provided an additional sum of \$295,000 appropriated funds for additional help, as I understood from the debate, at the county level. Is that right?

Mr. GODFREY. No, sir.

Mr. GATHINGS. What is it for them?

Mr. GODFREY. This is entirely wrong.

Mr. GATHINGS. What is that \$295,000 for? If I am wrong, I would like to be corrected.

Mr. GODFREY. \$295,000 was for the Office of the Secretary, to implement the provisions of the Civil Rights Act of 1965.

Mr. GATHINGS. What are you going to do with that \$295,000 in the Office of the Secretary?

Mr. GODFREY. This is for the Office of the Secretary. This is not ASCS.

Mr. GATHINGS. You couldn't tell where that money is going to go?

Mr. GODFREY. No, sir. I am not familiar with that estimate, except I know what it was for and I read the record as to what it was for.

Mr. GATHINGS. Well, it had to do with personnel, as I understood from the debate.

Mr. GODFREY. Yes.

Mr. GATHINGS. Some money to be used——

Mr. GODFREY. But it was not for ASCS. We lost 191 employees.

Mr. GATHINGS. From what number?

Mr. GODFREY. From the number we had last year approved in our budget. ASCS lost 191 employees. In addition, they reduced our budget request better than \$5 million for administrative expenses in ASCS.

Mr. GATHINGS. And you have taken on new chores right here.

Mr. GODFREY. No, sir.

Mr. GATHINGS. By virtue of what you would like to do in changing this program.

Mr. GODFREY. No, sir. We are changing our system of operation to operate more efficiently. Actually we will be able to do the same amount of work involved on the loan program without hiring so many additional temporary people that we have had to hire in the past, in New Orleans.

Mr. GATHINGS. Any questions?

Mr. JONES. Yes.

Mr. Godfrey, say in the county that produced 50,000 bales of cotton, they would probably have to put on some extra help during the harvest season, wouldn't they, in that local office?

Mr. GODFREY. It may be necessary to have some temporary help during the loan season in a county of that size, but normally in a county of that size, Mr. Jones, the county office force would run in the neighborhood of 10 to 12 employees. This is a pretty heavy workload county, if they grow 50,000 acres of cotton. I would assume that is very much like Imperial County, Calif., or very much like Robeson County, N.C. It is a large county, and they have a relatively large permanent staff, and with this permanent staff we think that in most cases they will be able to handle the loan work.

Mr. JONES. We would probably have at least three or four counties.

Mr. GODFREY. About three counties in Missouri, yes.

Mr. JONES. That would come in that category.

Do you think just one extra clerk will be enough to handle that additional work?

Mr. GODFREY. Well, even if we had to put on an extra clerk temporarily in each county producing over 30,000 bales, we would come out with a lot less employees than we have had to hire in New Orleans on a temporary basis.

Mr. JONES. Of course, I can understand that where you were producing maybe 5,000 or 10,000 bales of cotton in a county, you could probably just let your force absorb that extra work.

Mr. GODFREY. That is right, sir.

Mr. JONES. But you have about 1,000 counties that produce some cotton.

Mr. GODFREY. One thousand. Eleven hundred I believe you told me the other day, didn't you?

Mr. JONES. What?

Mr. GODFREY. You asked me the other day, and I think you told me between 1,000 and 1,100.

Mr. JONES. Somewhere over a thousand.

Mr. GODFREY. Yes.

Mr. JONES. But you wouldn't put on one in every one of the counties?

Mr. GODFREY. No, sir.

Mr. JONES. And if you put on, say, just one in half of the counties, you would still—how much are you going to reduce that temporary force in New Orleans, do you feel?

Mr. GODFREY. Well, we will practically eliminate the temporary people who have been doing the checking of the loan documents themselves and checking the eligibility of the cotton and carrying on the correspondence to get the loan paper corrected.

Mr. JONES. In other words, you won't handle any of that in New Orleans now at all?

Mr. GODFREY. No, sir. This will all be handled in the county.

Mr. JONES. In other words, you will list directly rather than send it there and have it come back?

Mr. GODFREY. That is right.

Mr. GATHINGS. Any further questions?

Mr. HAGEN. Mr. Chairman, I want to apologize for being late, but I assume you are prepared to set up new regulations in connection with the cotton program. Who is protesting them?

Mr. GODFREY. We had some protests originally—well, I guess the first one was from the Warehousemen's Association in Georgia, and this was due entirely to a misunderstanding of what we had proposed. As soon as I found out where the protest was coming from and got a copy of a memo that had been circulated around among the warehousemen, I wrote my good friend, Johnnie Walker, and told him there had been a misunderstanding and sent him the correct information of how it was going to operate, and he wrote back immediately apologizing for circulating misinformation and said it was satisfactory with them and he was glad that he had received the correct information.

Now, since that time we have had some protests from some of the shippers, and we met with a group of them, along with some of the

1964 lending agencies, in Memphis, about 2 weeks ago today or yesterday. Some of the staff met with them. They made a constructive suggestion, we thought. We had originally thought that the Shelby County office in Memphis, for example, could handle the loan papers and documents and make the payments for cotton that came into Memphis, regardless of where it was produced, and this procedure may have overloaded this particular county office. So they suggested that we change our procedure and permit the papers to be filed with the county in which the cotton was produced, but let interest start on the day that the papers are mailed or received in the county office, whichever is the earlier. We accepted their recommendation and made this change.

I thought that this particular change would have clarified most of the objection. I was surprised to learn this morning that it had not.

Mr. HAGEN. What is the usual arrangement when a farmer is financed by a cotton gin? He has a contract to deliver his cotton to this particular gin. Does that ginner retain possession of that green card?

Mr. GODFREY. I think this varies, Mr. Hagen. I don't know exactly what the normal practice is. It varies in different parts of the country, I think.

Mr. HAGEN. In California one time we had some protests that a lot of these financing gins would never allow an outside cotton buyer to have access to what grades of cotton they had belonging to their financed growers.

Mr. GODFREY. We have changed our procedure for 1965 to require the green card to be filed in the county ASCS office, too, so if a buyer wants to go to the county office and look through and see what cotton is available under loan to the producer to purchase his equity, he can do so.

Mr. HAGEN. And a buyer can find out the identity of all cotton under Government loan?

Mr. GODFREY. Sure. Right now the buyers are at a disadvantage. They don't know what quality or volume of cotton is under loan.

Mr. HAGEN. And he obviously can secure the identity of the producer.

Mr. GODFREY. Sure. That is right.

Mr. HAGEN. I want to ask you a question. I don't know whether this is a subject of this hearing but what procedures do you have for policing this release and reapportionment to determine whether the individual farmer actually releases his allotment?

Mr. GODFREY. Whether he actually released it or not?

Mr. HAGEN. Or someone who just says he did. I understand there are a lot of cases where a local committee says, "Oh, well, we know he is not going to plant it anyway, so we will treat his allotment as having been released."

Mr. GODFREY. We require a written release any time a producer releases his cotton allotment. Before it is reapportioned we require a written request, requesting a specific acreage, and then these requests are reviewed by the county committee and they make a determination as to how many acres go to the different persons requesting acreage. On the release, if we did not require a written release, we wouldn't know how much to reapportion and after the written release is filed, it is checked in the county office to be sure that the

acreage is shown correctly and see that the person releasing has the authority to do so.

Mr. HAGEN. Do you review at the departmental level those operations for error or collusion or anything?

Mr. GODFREY. We occasionally run across some errors where an operator of a farm at the time release is being made releases the acreage and then he gives up the farm and the landlord has to take over and wants to grow the cotton. Normally we can handle these out of a reserve for correction and errors.

Now, as far as collusion, I don't know how collusion could occur in release and reapportionment because the county committee is not obligated to reapportion it to any specific individual.

Mr. HAGEN. No.

Mr. GODFREY. Now, sometimes they may do it.

Mr. HAGEN. Any collusion on the part of the county committee in that they want to see a big release figure——

Mr. GODFREY. There would be nothing to gain in this.

Mr. HAGEN. Well, certainly to guarantee more production in that county or somewhere else in the State.

Mr. GODFREY. No. Actually the release takes place because the farmer wants to protect his individual history or he wants to contribute to the economy of the county by letting somebody else grow the cotton. It is a combination of the two generally.

Mr. HAGEN. I know that the effort is made to get a maximum release.

Mr. GODFREY. Oh, yes. We have some business people who are not farmers who are very active in getting farmers who are not going to plant their cotton to release it.

Mr. HAGEN. It would be very easy for an ASC committee to ask a number of farmers who never intended to plant cotton to say they released it and unless you police it some way from here, error or fraud is possible.

Mr. GODFREY. Well, the law provides that if a man releases 3 years in a row, then he loses his eligibility for an allotment. If he releases all of his allotment 3 years in a row he loses his eligibility and he is no longer an old grower.

Mr. HAGEN. What happens to lost allotments—is there any subtraction from the history of the county, then, or from the State quota?

Mr. GODFREY. Well, the county history is made up of 5 years immediately preceding the years for which the allotment is established. For example, the county history for the 1965 allotments is based on 1959 through 1963. So if this particular grower may have grown in 1959 and 1960 and released the other 3 years and he got credit for his history when he released so his history is already in the county and it is, in effect, being reapportioned to other farms for 1964 and 1965. So actually the county is losing a negligible amount of history, if any. If you will notice the figures, there has been very little shift of cotton as between States since the Release and Reapportion Act was passed.

Mr. HAGEN. Thank you.

Mr. GATHINGS. Mr. Jones?

Mr. JONES. One question. Pursuing one thing Mr. Hagen said there, in each county, each one of these farms has a number, doesn't it?

Mr. GODFREY. Yes, sir.

Mr. JONES. And then you would probably have a record in that office that could be checked showing the number of the farm and the name, what their allotment was, and the amount each released. You have all that information available and when you total that up you would have the total amount of acres released.

Mr. GODFREY. That is right. This is actually tabulated each year.

Mr. JONES. That is what I thought.

Mr. GODFREY. From the individual sheets.

Mr. GATHINGS. Mr. Abernethy?

Mr. ABERNETHY. Have you ever run into an instance where a record was made in an office that farm X released his acreage whereas in fact he had not?

Mr. GODFREY. Yes, sir. I have had some personal experiences with some of these when I was serving in North Carolina.

Mr. ABERNETHY. Under the release and reapportionment provisions?

Mr. GODFREY. Yes, sir.

Mr. ABERNETHY. All right. Now——

Mr. GODFREY. This came about—may I explain how it came about?

Mr. ABERNETHY. Yes.

Mr. GODFREY. This came about by a similar situation to what I told Mr. Hagen a moment ago. One man had control of the farm last year as operator of the farm and the records in the county office had never been changed. No one came in to tell the county office that the farm had changed hands. So the former owner, the one who farmed it as the operator in 1964, came in and released the allotment for 1965. An original allotment notice has been mailed——

Mr. ABERNETHY. That wasn't an instance of fraud.

Mr. GODFREY. No. I don't know——

Mr. ABERNETHY. That was just a man releasing some acres he had no authority to release.

Mr. GODFREY. I don't know of any instance of fraud.

Mr. ABERNETHY. That is what Mr. Hagen was driving at.

Mr. GODFREY. No, sir. Never has one come to my attention.

Mr. ABERNETHY. That is all.

Mr. GATHINGS. I wondered, Mr. Godfrey, if you would make available to each member here at the table a copy of that summary you had a moment ago. Do you have enough copies so that each member could get one of those?

Mr. GODFREY. Yes, sir.

Mr. GATHINGS. As I recall, you stated that it was an explanation of the 1965 proposed plan.

Mr. GODFREY. And the operation of the 1964 loan program.

Mr. GATHINGS. And the operation of 1964. Without objection I think that ought to go in as part of your remarks.

Mr. GODFREY. We would appreciate it if were included in the record.
(The documents referred to follow:)

U.S. DEPARTMENT OF AGRICULTURE

The Department of Agriculture on April 22, 1965, announced changes in the 1965 cotton loan program (copy attached). The announcement covered broad areas of administration. There is set forth below information on how the 1964

program and additional information as to how the 1965 cotton loan program will operate.

(1) *Operation of the 1964 loan program for cotton.*—A “sample” was drawn from the bale of cotton and sent to a Board of Cotton Examiners and classed. It usually took 2 or 3 days for the producer to receive the official classification. The loan note (Form CCC Cotton A) could not be prepared until the official classification was received by the producer or his representative. It was required that the cotton be stored in an approved warehouse and the warehouse receipt show that the warehouse receiving charge had been paid before cotton could be placed under CCC loan. In some instances this requirement in connection with the receiving charge resulted in an additional trip to the warehouse by the producer. Lien holders were required to waive liens on the crop and could be designated on the note to be reimbursed from the loan proceeds. Clerk fees for preparing loan documents were authorized. The loan note could then be signed and witnessed and the loan proceeds disbursed either by an approved lending agency, by an Agricultural Stabilization and Conservation Service county office or by the New Orleans Commodity Office. If the loan was disbursed by an approved lending agency, such agency was financially responsible for any ineligible cotton tendered to CCC. After disbursement by a lending agency or county office, loan notes and warehouse receipts were sent to the New Orleans Commodity Office. Banks which disbursed loans could obtain reimbursement from CCC or, at their option, be issued certificates of interest. To redeem cotton from the loan required the producer to have a Release of Warehouse Receipts form validated by his ASCS county office. This form was then mailed to the New Orleans Commodity Office by the producer or the loan equity purchaser with a request that the warehouse receipts be mailed to a specified bank for loan repayment. After the receipts were received by the bank, it was then necessary for the bank to notify the producer or equity purchaser. The person redeeming the cotton then called at the bank, repaid the loan, and picked up the warehouse receipts. This procedure, especially during the time of heavy loan entries, required several weeks from the time the release of warehouse receipts was requested until the warehouse receipts were obtained by the person redeeming the cotton.

(2) *Operation of the 1965 loan program for cotton.*—The procedure for cotton sampling, classing and note preparation will be the same as in 1964. For 1965 crop cotton it is not required that warehouse receipts be stamped showing that warehouse receiving charges have been paid. If warehouse receipts are not so stamped the loan will be reduced by the amount of the receiving charge. The custom in the trade is for such charges to follow the cotton. CCC will pay to the warehouseman the receiving charges and the accrued storage on 1965 crop loan cotton acquired by CCC. In 1965, loan clerks will be approved at various places such as banks, warehouses, cotton gins, etc., to be of maximum service to cotton producers. An advance to the producer may be made by any firm, individual or other entity and be reimbursed from the loan proceeds. All disbursements on form A loans will be made by county offices. Any financial institutions qualifying to hold certificates of interest may credit the accounts of cotton ginners, warehousemen and other business entities for advances made to cotton producers for the full loan value of the cotton. The financial institution would send the loan documents directly to the county offices where the farm records are maintained and would be entitled to interest on their investment from the date the documents are delivered or mailed to the county office. This will lighten the workload of county offices located in heavy cotton marketing centers. If the loan is to be disbursed by a county office other than the one where the farm records are maintained for the farm on which the cotton was produced, the loan clerk and his employer, if any, will be held financially responsible for any ineligible cotton tendered to CCC for loan. The loan documents can be sent to the most convenient ASCS county office for reimbursement, thus the firms advancing funds to producers will be reimbursed promptly. It is expected that for the most part, producers of cotton will utilize the services of their local ASCS county office or approved loan clerks at convenient locations in the county. As in prior years producers will not be required to go to the county office to get his loan papers prepared or to get his loan disbursed. Clerk fees for preparing loan notes are authorized as in 1964. Loan documents, including supporting warehouse receipts and class cards, will be maintained in county offices. This will make it possible for cotton merchants to determine from documents at the county office the identity of producers who have cotton

under loan, as well as the quantity and quality of such cotton. Under this arrangement producers and loan equity purchasers will be able to redeem loan cotton quickly either at the county office or at a bank designated by the person redeeming the cotton. This should help many farmers to sell their equities at a profit and reduce the volume of cotton acquired by CCC. Loan redemptions will not require the producer or other person redeeming the cotton to personally visit the county office. Forms necessary to redeem loan cotton will be available at the office of approved loan clerks, banks, warehouses, cotton gins as well as ASCS county offices.

It is believed that under the 1965 loan program cotton producers will be served better than in 1964 and at reduced cost to CCC. Most county offices will be able to handle the program with present personnel and, overall, fewer ASCS employees should be required to handle the 1965 cotton loan program. These changes will provide for effective program administration and will afford greater convenience to cotton producers and the industry than is provided for most other commodities. The 1965 procedure will afford county offices full opportunity to audit the documents and determine whether the cotton meets the loan eligibility requirements.

USDA ANNOUNCES CHANGES IN COTTON LOAN PROGRAM

The U.S. Department of Agriculture today announced changes in the cotton loan program to make the program more convenient for cotton producers and buyers and less costly to the Commodity Credit Corporation. The changes are procedural in nature rather than in program objectives. The changes are based on favorable experiences under other price-support programs.

Beginning with the 1965 crop of cotton, all loans except those to approved cotton cooperative marketing associations will be disbursed solely by Agricultural Stabilization and Conservation Service county offices rather than through lending agencies or county offices as in the past.

Loan documents may be prepared by approved loan clerks located at banks, offices of cotton buyers, cotton gins, warehouses and other locations as necessary for convenience of producers or by county ASC offices. Loans will be disbursed by issuance of CCC loan drafts which may be held by commercial banks, production credit associations, and certain other financial institutions as interest-bearing instruments.

Under the new procedure all loan notes executed by producers (Form CCC Cotton A), warehouse receipts, and related documents will remain in custody of ASCS county offices until loan maturity or redemption.

This will make it possible for producers and persons who purchase loan equities to redeem cotton from the loan easier and quicker because redemptions can be accomplished at county offices. This should result in an increase in loan redemptions, smaller quantities of loan cotton finding its way into Government inventories at loan maturity and therefore, a reduction in Government costs. In the past custody of all loan documents has been maintained at the ASCS Commodity Office in New Orleans, La.

The amount of loans made under the new procedure will be reduced by the amount of any warehouse receiving charges due on the cotton if such charges have not been prepaid. This change is in keeping with cotton trade practices and will greatly facilitate loanmaking. In cases where the receiving charges have not been prepaid and the cotton is not redeemed from the loan, CCC will pay the receiving charges directly to the warehouse when the warehouse storage charges are paid.

No changes are expected in procedures for making form G loans to approved cooperative marketing associations of cotton producers, except cooperatives will not be required to prepay warehouse receiving charges in order to obtain loans on their members' cotton. Such charges will be handled the same as for form A loans made to producers.

Mr. GATHINGS. You, in my judgment, are an outstanding public servant, Mr. Godfrey.

Mr. GODFREY. Thank you, sir.

Mr. GATHINGS. I have been dealing with you for many years and I have found you such, but I don't understand how I can get so many conflicting views on this issue. I get mail from people back home

and they say that in the first place what they are trying to do is to eliminate private business and get them out of this picture completely. And the next thing the new plan entails is to pile additional duties on the county offices. And the third thing according to the letters I receive, is to make it hard on the farmer to get his cotton in the loan.

Those are the three things they tell me in the mail that I have here that comes to me from various sources. I just don't understand how that can happen when you say that, now, I have been in this business for a long time and our proposal for 1965 will just do the opposite.

Mr. GODFREY. That is my opinion, sir. I don't understand, except misinformation.

Mr. GATHINGS. You have been receiving communications too, I assume.

Mr. GODFREY. Yes, sir.

Mr. GATHINGS. We have been getting the same letters.

Mr. GODFREY. We have answered quite a few letters on this and we have made some modifications along the line as I pointed out from our original proposal to try to make it more acceptable to the shippers and lending agencies, and I think it should be more acceptable to them. We don't want to get them out of the cotton business. They are a necessary part of the cotton business and always have been. Frankly, they are our salesmen. And we want them to have better access and quicker access to the cotton while it is under loan.

Mr. GATHINGS. There are a lot of them in the room now and we would like to hear from them. Please make yourself available, you and your aids, Mr. Moss and the others with you—would you name those that are with you?

Mr. GODFREY. Yes. I have Mr. Moss who is Director of our Cotton Policy Staff in ASCS, Mr. John Vaughan, who is Deputy Director of our Fiscal Division, and Mr. Gene Jones who is Deputy Director of our Farmers Programs Division. This is our procedure-writing section.

Mr. GATHINGS. If you would make yourself available, please.

We are delighted to have with us today the Honorable George Grider of the district right across the river from the city of West Memphis, Ark. He lives in Memphis, Tenn.

I would like if you would, Mr. Grider, to come forward and introduce your constituent or constituents. We would like to hear from them at this time.

STATEMENT OF HON. GEORGE W. GIRDER, A REPRESENTATIVE IN CONGRESS FROM THE NINTH CONGRESSIONAL DISTRICT OF THE STATE OF TENNESSEE

Mr. GRIDER. Thank you, Mr. Chairman. It is a great honor for me to appear before this distinguished and knowledgeable committee that is dealing with a very complicated problem, and it is also a great honor to present to the committee a constituent of mine who is well informed, deeply concerned, and who I am sure will add substantially to the testimony. He is Mr. R. H. Allen, Jr. He is the chairman of the Cotton Exchange Committee on the 1965 loan crop and he is the head of the R. H. Allen Co., of Memphis, one of our cotton companies.

As you know, Memphis is the largest spot cotton market in the world and our concern with this problem is continuing and our gratitude to this committee is also continuing.

Mr. Allen.

Mr. GATHINGS. Thank you so much, Mr. Grider. We will be pleased to hear from you, Mr. Allen.

STATEMENT OF R. H. ALLEN, JR., CHAIRMAN OF THE COTTON EXCHANGE COMMITTEE

Mr. ALLEN. Mr. Chairman, members of your committee, first I would like to state that we are against this change in the 1965 loan program as a matter of policy. Mr. Godfrey and Mr. Moss were kind enough to send Mr. Jones and Mr. Vaughan to Memphis and they were very cooperative in listening to our suggestions and I understand that some of them haven't been accepted.

However, we stated in Memphis that we were against this change and we would like to state it again at this time.

The proposed change leaves the loan agents and the bankers entirely out of the program. We feel that the loan agents have operated under contract and supervision of the CCC. We feel that the banks have financed the cotton not only into free channels of trade but also into the loan. We feel it is very necessary to the merchant that the close relationship remain between the banks and the merchants, also that the close relationship and also the supervision remain between the CCC of New Orleans and the loan agent who would expect it. As far as I know, every agency every year checked on the amount of money he paid the producer and checked the loan documents.

We feel that New Orleans has trained personnel and IBM equipment to handle the loan program at minimum cost.

The new proposal would have 600 county officers handling loan documents. These county officers would be responsible for millions of dollars of disbursements accounting for negotiable warehouse receipts amounting to millions of dollars. Instead of these warehouse receipts being under one roof in New Orleans, they would be spread out all over the country.

I might add here that if I make any mistakes in the way of summing up this program, I hope Mr. Godfrey would correct me and I would apologize for doing it.

We understand that the ASC office would check the warehouse numbers, bill weight and class, but the CCC in New Orleans would audit the extension of the loan notes. This involves processing the documents twice.

Also we understand that on each loan document there would be a separate interest bearing draft issued.

Mr. GATHINGS. Wait just a minute now. You made a statement there now that ought to be looked into.

Mr. ALLEN. Well, I asked Mr. Godfrey to correct me.

Mr. GATHINGS. What is your view with respect to the work that would be entailed according to Mr. Allen's theory here that you would have to work on these documents at two different times? You would have to go over it the second time in New Orleans anyway; is that right?

Mr. GODFREY. If they went to New Orleans last year, they had to be operated on about four different times because we——

Mr. GATHINGS. You are going to cut it in half, to two, then?

Mr. GODFREY. No. Last year in New Orleans we had different sections of the office that performed different steps of the work. We have computers in New Orleans which will have to do the accounting for us that we have used for years to do the accounting. These computers can compute the extensions much quicker than we can do it in the county office. New Orleans did it last year, but in addition they had to check the loan eligibility and preparation of the documents. We will do this phase of it in county offices.

Mr. ABERNETHY. Mr. Chairman, may I interrupt?

Mr. GATHINGS. Mr. Abernethy.

Mr. ABERNETHY. Mr. Godfrey, may I ask you a question? The other day I was talking with you and Mr. Moss about this matter and this gentleman's statement somewhat doesn't tie in with what I understood you to tell me.

I understood you to tell me the other day that you had a meeting in Memphis and discussed this matter with the trade; that you had gone through some sort of procedure to notify them and that all came away from the meeting in full agreement except as to one matter and that was worked out to the satisfaction of everyone.

Mr. GODFREY. Mr. Vaughan and Mr. Jones from our Washington office were in Memphis. They came back and reported to me that there was some disagreement about how we were planning to proceed and in their opinion they felt that the disagreement would be eliminated if we would make this change, whereby banks, for example, which advanced loan proceeds could begin earning interest from the date the documents were received in the county office or placed in the mail.

Mr. ABERNETHY. Well, did I state just about what I understood you to say the other day?

Mr. GODFREY. Yes, sir. This is what we understood and this morning I was amazed when Mr. LeMay called me and said they are still not satisfied.

Mr. ABERNETHY. I wrote a constituent and told him what you said, that there was a meeting in Memphis and that everyone left happy except on one point, and that was worked out.

Mr. GATHINGS. What about that, Mr. Allen?

Mr. ALLEN. I said they had been most cooperative with us in Memphis. They listened to our suggestions and implemented the program as announced for 1965 as well as we thought it could be implemented, but we are opposed to the program and I think we so stated in Memphis.

Mr. ABERNETHY. Who attended that meeting other than Memphis people?

Mr. ALLEN. There was Mr. Bob Hoover from El Paso and Frank McKnight from El Paso. Mr. Jim Cross——

Mr. ABERNETHY. You did have people from other than the immediate Memphis area?

Mr. ALLEN. Yes, sir.

Mr. ABERNETHY. How did you get your notice out to them?

Mr. ALLEN. I arranged the meeting with Mr. Moss. I put out the notice myself.

Mr. ABERNETHY. I see.

Mr. GODFREY. Mr. Chairman, may I ask why they are opposed to it? Maybe we can get to the crux of this. This may not be in a formal procedure order, but may I ask why they are opposed?

Mr. GATHINGS. If we want to get to the bottom of this thing. I think the subcommittee is anxious to get it all in the record.

Mr. GODFREY. Why? He says they are opposed. Now, why?

Mr. ALLEN. Well, we keep going——

Mr. GATHINGS. Mr. Allen was proceeding to do that and I stopped him when he just got to one point. If you want to comment a little more on that one point.

Mr. ALLEN. I understood from Mr. Godfrey today that the loan documents would be allowed to go through the banks and bear interest from the date of postmark or delivered to the ASC office. The original announcement did not carry this. This is one of the improvements that they have made for us.

However, we still feel that it would be better to have the agent who is responsible to the CCC disburse this money and put the documents into the bank to go directly to New Orleans and have any correction come back straight to the agency from New Orleans rather than from several counties all over the territory.

Further, the movement into the loan would be in a period of 2 months. Now, due to the mechanical pickers this is a very fast movement of the cotton crop. Most merchants find that 14 hours a day work during that period from, say, the 15th of September to the 15th of December is not long enough days. We don't see how the county offices are going to be able to keep current on this.

Mr. HAGEN. Keep what?

Mr. ALLEN. Keep current. The CCC in New Orleans has been most efficient, accurate, and prompt in the redemption of loan cotton. I had occasion last week to mail loan documents to the CCC on Monday, had the warehouse receipts in my office at 10:30 Thursday morning. I don't think I can mail them to a county office even though it is in West Memphis right across the river and have any faster service.

Also I feel that the county office, in order to account for the county, would have to have a separate invoice on every loan document, on every part of one loan paper that came out of the loan, whereas New Orleans, on one producer, can combine all of these separate loan papers into one sheet with the IBM equipment and they are the last accountable for it, I presume, and it comes much quicker and much easier for us rather than checking numerous invoices.

We also have a problem with our office work in the cotton business which may not be too complicated but it certainly is long and tedious.

On July 31, 1966, we are hoping to have a new cotton program and possibly have exports start up again. At that time in our opinion the New Orleans office would have to receive all the loan documents from the county offices. We anticipate from the figures that have been projected, if the season goes the same as last year, there will be approximately 5 million bales of this cotton that would hit New Orleans on August 1, 2, and 3. This is a tremendous amount of cotton.

Furthermore, the announcement that you have up there, May 22, gives the approved cotton cooperative marketing associations the same

full privileges that they have always had before but it takes away the loan agencies from the free enterprise system.

If further states that by displaying the producer's loan notes in the county offices, it will increase the sale of loan cotton. We feel that the sale of loan cotton can only be increased through increased production and exports.

Mr. GATHINGS. You said it would decrease the sales?

Mr. ALLEN. I say the announcement said it would increase. We don't think it can increase the sale of loan cotton except through consumption and production. Their announcement said that the loan papers would be displayed in the county office 30 days after they receive them.

Mr. GATHINGS. You disagree that it would increase the consumption of cotton?

Mr. ALLEN. Yes, sir. I disagree with that. I think only production and exports will increase it.

Mr. GATHINGS. Go right ahead.

Mr. ALLEN. Now, there is no producer who does business with the co-op who will have his loan papers displayed, and as I understand it, if he did, and you went to him to buy it, he is not at liberty to sell it. He is under an agreement with the co-op where the co-op has to sell the cotton.

We feel that if the Government is going to some extent to act as a sales agency, they have got their money involved in this cotton, that it should be open to all segments of the trade on all loan cotton. I don't know whether you follow me there or not but what I am saying is if the independent producer and independent merchants who are not members of co-ops have their cotton loan papers displayed for sale, that also all cotton under loan, whether form G which is the cooperative loan or form A which is an independent producer's loan, should also be for sales because it will be the same Government money in all of this cotton.

Further, Mr. Godfrey speaks of the tremendous amount of illegal cotton going into the loan. Frankly, in our territory—and there are men here that can speak for the other territories—I do not know of this happening. There may be isolated cases where it has happened but I didn't think it was running rampant.

As far as picking up temporary help to handle warehouse receipts, I think there are many merchants on Front Street that would like to be able to pick up this temporary help. It is very difficult to find people to bring them in and throw 300 bales of warehouse receipts and tell them to figure them and do it and come up with any thing like a right invoice or proper invoice, and we just feel with the handling of the documents both by New Orleans and by the county office, that the program will be plagued with errors.

During the A and B programs, which were successful for the merchants, however, I believe Mr. Godfrey will back me up, there were many errors and as late as several months after the program had ended, corrections were still coming back to the people that handled the A and B program under contract with the New Orleans office.

For all these reasons we feel that we have a workable program and we don't know exactly why they want to change it.

Mr. GATHINGS. Did you take this matter up with the Subcommittee on Agricultural Appropriations?

Mr. ALLEN. Indirectly we did, but I think on page 29 that you are referring to, I think that this is Mr. Whitten's own ideas that in discussing it with him on the telephone after it appeared, he is very firm. We were not responsible for that being in there, I don't think. I can't give us that credit anyway.

Mr. GATHINGS. Well, now, on page 29, the middle part of that page, of the Agriculture Department report, appropriations for 1966, dated May 20, 1965, they had this to say:

The committee calls on the Department to continue the administration of the 1965 cotton loan program on the same basis as in 1964. To provide for disbursements by county offices would result in a large increase in personnel, inconvenience to the farmer, and greatly increased risk to the Government since county employees are not under bond. The fact that they would be personally financially responsible would mean nothing in most cases. This matter has been before the committee repeatedly in prior years.

Mr. JONES. Mr. Chairman, may I ask Mr. Godfrey a question?

Mr. GATHINGS. Yes.

Mr. JONES. I have a question about county employees not being under bond. Aren't all employees who handle money or have authority to write checks under bond?

Mr. GODFREY. Yes, sir; they are all under bond. No additional risk will be involved. They are disbursing money by sight draft every day in every county office in the United States.

Mr. JONES. Then they are bonded, aren't they?

Mr. GODFREY. Yes, sir.

Mr. JONES. That is what I thought.

One other question. Mr. Allen, do I detect that there is some feeling that the co-ops are being brought into this more and it would offer more competition to the private trade? Is that one of your objections?

Mr. ALLEN. Yes, sir. I believe that was my point.

Mr. JONES. Well, isn't that one of the principal bases for objection to the changes under this program, is that they are proposing to give the co-ops a greater responsibility in this?

Mr. ALLEN. No, sir. I think the basic thing from our standpoint is that we are afraid with this new change that the program will bog down in the middle of the movement of the cotton, which will bring many hardships on the producers and merchants and everyone concerned.

Mr. GODFREY. Mr. Chairman, may I make a statement on this?

Mr. GATHINGS. Yes.

Mr. GODFREY. He is attacking the integrity of our county officers and efficiency, so I think I am obliged to make one.

Mr. ALLEN. Not the integrity. I don't think I attacked the integrity.

Mr. GODFREY. During the 6-week period of January 25 through the first week in March we signed up and computed payments and issued sight drafts for 1,480,000 farmers under the feed grain program. I would defy any government agency or nongovernment agency to compete with that record. We can issue and we have issued in many county offices as many as 800 sight drafts in 1 day. I do not expect any bogging down. In fact, I can assure you there will be no bogging down.

Mr. GATHINGS. The information I get, Mr. Godfrey, is that ordinarily the average number of bales that go into loan—it is a small number, two or three bales.

The farmer would have to go to the county office and it might inconvenience him.

Mr. GODFREY. He does not have to go to the county office.

Mr. GATHINGS. He may not or need not?

Mr. GODFREY. Need not.

Mr. GATHINGS. But it may be desirable for him to do so?

Mr. GODFREY. If he wants to; yes, sir, he may.

Mr. GATHINGS. He could send someone or——

Mr. GODFREY. If he wants to.

Mr. GATHINGS (continuing). Get the documents in the hands of someone who would advance him money.

Mr. GODFREY. If he wants to go to the county office he can get the advance as soon as he has the green card and the warehouse receipts.

Mr. GATHINGS. Someone has to go to the county office.

Mr. GODFREY. He can do it. If he doesn't want to do it, if he wants this man, Mr. Allen, to act as his agent, Mr. Allen can advance him the money. Mr. Allen can turn his papers over to the bank and the bank can credit his account. They start drawing interest immediately then, if they wish they can mail those papers to the county office that day. All they have to do is put them in an envelope. More than likely they will send a messenger with the papers for several producers. If they don't want to do this, if he doesn't want to do this, Mr. Allen can mail them to the county office or deliver them to the county office and I think I can assure him they will write him a check while he is waiting.

Mr. GATHINGS. What is your comment?

Mr. ALLEN. I would like to put the record straight. If I questioned the integrity of the county office it was through error in my speech because that is the furthest thing from my mind, to question the integrity of the county offices. I have friends that are county committeemen in charge of these county offices and it is certainly the furthest thing from my mind——

Mr. GATHINGS. I might say to the gentleman I got a call last night from a friend of mine who is on a county committee in Arkansas and he advised me that you were going to be here today and he hoped that you would be heard.

Mr. ALLEN. Thank you, sir.

Mr. GATHINGS. And be given every consideration.

Mr. ALLEN. I believe we stated our case. We have some other gentlemen here that might like to say something that are involved with these loans but all I can say is that the Memphis Cotton Exchange and Southern Cotton Shippers and American Cotton Shippers Association are opposed to the changes in the 1965 loan. I would be happy to answer any further questions.

Mr. GATHINGS. Mr. Jones.

Mr. JONES. I have been trying to go over this statement of the Department of Agriculture explaining the operation of the 1964 loan program and then stating the operation of the 1965 loan program

for cotton and in the operation of the 1965 loan program for cotton it says very specifically :

As in prior years, producer will not be required to go to the county office to get his loan papers prepared or to get his loan disbursed.

Is that your understanding, Mr. Allen?

Mr. ALLEN. Yes, sir; it is. At one time it looked like when your first announcement came out that an agent for the producer would have to go to the county office, but as Mr. Horace Godfrey has told us today, it has been arranged for these to go through the bank, which is a great improvement on implementing the 1965 program.

Mr. JONES. It says:

Loan redemptions will not require the producer or other persons redeeming the cotton to personally visit the county office. Forms necessary to redeem the loan cotton will be available in the office of approved loan firms, banks, warehouses, cotton gins as well as ASC county offices.

I can't see where this is—where they are going to be inconvenienced very much, if any.

Mr. ALLEN. Well, sir, when you see 15 million bales of cotton crop move in 2 months there are a lot of things that don't seem like they are going to be inconveniences which we feel like they will be.

Mr. JONES. It seems to me like there would be a lot more chance for the thing getting clogged up if it all goes through one office down in New Orleans than if they were moving just through the local offices where it would be spread out.

Mr. ALLEN. Well, when it went to New Orleans, it went through the banks and the banks were approved agencies and received a fee for this. They also made many corrections in these loan papers before they were sent to New Orleans. And the largest central banks also received the loan documents from the outlying banks and sent them down there.

This new change will take a large deposit out the Memphis banks and out of other central markets. However, that is not our fight. That is the banks' fight.

Mr. JONES. In other words, then, you are emphasizing here that the banks do have an objection because some of their fees or charges might be eliminated in this.

Mr. ALLEN. Yes, sir. I think maybe I can say that. Although I am not a banker and probably should not——

Mr. JONES. Ordinarily doesn't a farmer pay for those fees and charges?

Mr. ALLEN. No, sir. Not those fees.

Mr. JONES. Who absorbs those fees?

Mr. ALLEN. The CCC in New Orleans has been absorbing them.

Mr. JONES. I have never heard of anyplace yet where the farmer had somebody else pay for the fees that were charged.

Mr. ALLEN. This was an 8-cent-a-bale and an 11-cent-a-bale fee depending on whether the bank kept the documents or sent them straight to New Orleans.

Mr. GATHING. Mr. Hagen?

Mr. HAGEN. You are a cotton buyer, is that correct?

Mr. ALLEN. No, sir. I am what you call a piker. I buy it, sell it, sell it on commission and buy it on commission. I am a hungry merchant. I do whatever I can do. I do everything I can do.

Mr. HAGEN. I want to get a picture of your operation.

Mr. ALLEN. I will explain to you——

Mr. HAGEN. I want to know exactly how you operate.

Mr. ALLEN. I will explain to you my loan operation. The producer sends his cotton to the cotton press. The cotton press sends me the sample and the warehouse receipt. When the producer receives his green card, that is where we refer to the Government class, when he receives it, he sends that to me. In the meantime if we have a good market I will sell the cotton as fast as it comes in. If we have a slow market, I lay his samples out on the table, I put the green card on top of every bale. The cotton which I think is misclassified I put into the loan, the cotton which I think would sell I regroup, take the cards off of it, put it out for sale.

I have the producer's power of attorney. I have his marketing card. I have a lien waiver. When I decide that the cotton will not sell, I write up the loan paper and put it directly into the loan through the bank and the paper returns to the producer to show that his cotton went in the loan, and I further check the CCC and point out to them—they look up a note, I show them the exact check which is the exact amount of that note that I paid to the producer.

Mr. HAGEN. How do you locate the producers you are going to deal with?

Mr. ALLEN. I get out and hustle for them in the summer.

Mr. HAGEN. Before the cotton crop is in being?

Mr. ALLEN. Yes, sir. I handle the same crops almost every year.

Mr. HAGEN. I see. And then you sign up these documents that Mr. Godfrey mentioned including a power of attorney?

Mr. ALLEN. With the power of attorney, yes, sir. The producer obviously has to trust me because he sends his warehouse receipts in.

Mr. HAGEN. They are tied to you, aren't they?

Mr. ALLEN. Well, we are tied to each other, I think. I have got all his money. If I don't have him, I don't have any business.

Mr. HAGEN. Why would the grower sign a contract with you rather than waiting and putting it in the loan himself?

Mr. ALLEN. Because he is busy getting his crop out and needs money.

Mr. HAGEN. You advance money to him?

Mr. ALLEN. No, sir. As a rule I don't have to. I usually try to sell it fast enough to do it. I would advance if it were necessary.

Mr. HAGEN. You don't advance the money during the cropping season?

Mr. ALLEN. No, sir. Not in the habit of doing it. A lot of people in Memphis do do that which is really the backbone of the Memphis market. The one who used to act as financing agent for the crop until the CCC——

Mr. HAGEN. Do you have many 2-bale customers?

Mr. ALLEN. The ones I deal with are mostly larger producers, but as a rule when you buy the equities, you are dealing with the smaller producers because the larger one usually gets the fuller value out of his cotton going into the loan and that cotton does not come out of the loan as a general rule.

Mr. HAGEN. You would have a lot of the 2 or 2½ bale sellers?

Mr. ALLEN. There would be a lot of them; yes.

Mr. JONES. You wouldn't handle it.

Mr. ALLEN. If they brought it in there, I would, but trying to handle it on a volume, I would lose money.

Mr. HAGEN. Isn't it possible the grower would get better service under the new proposal?

Mr. ALLEN. There is a cotton buyer in every market and he has been—he looks at the bale, at the Government class and he says I can pay you \$5 a bale over the loan for this bale, put this one in the loan. He says, all right, give me my check, and that is how fast it goes.

Mr. HAGEN. How do you establish the price you pay him for his cotton?

Mr. ALLEN. Right now it is based on the loan, more or less, how much over the loan you can afford to pay. The loan pretty much governs.

Mr. HAGEN. He signed up with you in the summertime when he is growing bale cotton and he is more or less in your hands so far as bidding. There is no bidding on his cotton, is there?

Mr. ALLEN. Any producer can take a bale of cotton, walk down the road, and he will pretty well know what it is worth in a minute, and you can go through Arkansas, Tennessee, and ask what the cotton will bring and they can tell you very quickly. It has been my experience that I can't find any sleepers.

Mr. HAGEN. In California we generally have few farmers—a very few of them or none of them will produce only 2½ bales of cotton, but there were some complaints a few years ago that a lot of these growers who were tied to gins who financed them and were obligated to let them make the final offer for their cotton, there were complaints from other cotton merchants that these proprietary financiers wouldn't let them ever find out what cotton was produced so the farmer could really get a competitive price for his cotton.

Mr. ALLEN. Well, that was more or less part of my statement.

Mr. HAGEN. In that position, with respect to these growers—I mean you are their agent.

Mr. ALLEN. Yes, and I get paid for it and I show it on the loan note that I got paid.

Mr. HAGEN. Don't you think the county offices will provide a better service under this procedure than the old one which apparently creates a necessity for your services and charges?

Mr. ALLEN. No, sir. I don't think so. I think that we have been working with New Orleans for years and the program has worked smoothly and I don't like to see it changed. I think that we are liable to get into a lot of trouble on it. By that I mean we are liable to get bogged down on the thing if county offices are not even going to check the extensions on the notes. I am sure I have in the past and will in the future make mistakes on extensions on notes coming out of my office and I would like to have them——

Mr. HAGEN. I assume you also direct a certain amount of business to certain banks.

Mr. ALLEN. Yes, sir. I do all my business with one bank.

Mr. HAGEN. What advantage do you get from the bank for doing that?

Mr. ALLEN. I don't get anything from the bank. I am just lucky to get the money from them.

Mr. HAGEN. You are lucky to find a bank that will do this service.

Mr. ALLEN. Yes.

Mr. HAGEN. Thank you very much.

Mr. GATHINGS. Do you have any further statement, Mr. Allen?

Mr. ALLEN. No, sir.

Mr. GATHINGS. Any more questions that you want to ask Mr. Godfrey or, Mr. Godfrey, do you have any more questions which you would like to ask Mr. Allen?

Mr. GODFREY. No.

Mr. GATHINGS. Now, who is the next witness? Are there any other persons who would like to come up and testify?

Mr. SANDERS. If I may be permitted to speak without a prepared statement——

Mr. GATHINGS. Give your name and address.

STATEMENT OF STEWART SANDERS, PINE BLUFF, ARK.

Mr. SANDERS. I am Stewart Sanders from Pine Bluff, Ark., and in this instance I am a country cotton buyer.

Firstly, I regret the——

Mr. GATHINGS. Mr. Sanders, how long have you been in the cotton business?

Mr. SANDERS. Eighteen years.

Mr. GATHINGS. What is the name of your firm?

Mr. SANDERS. Harlow Sanders & Co.

I regret I must conclude, I suppose from the tenor of Mr. Godfrey's remarks that he holds me and my profession in rather low esteem. It is perhaps—I am sure he has the facts to back his remarks up. There may be instances of blank paper signing, illegal advances, illegal cotton and loan or other forms of coerced handling. I cannot deny it. I don't have the facts, but I don't like the implication that this is as prevalent as he seemed to make it sound.

But that is not the point. The point is I would like to object to the changes in the program for two reasons—one, I have had experience in the past with how long it takes the county office to handle loan cotton when they themselves prepare the documents and submit them and their time is at least triple or quadruple what it takes private people to do, so I can only conclude that in their processing of the documents from the other side of the fence, it will be the same.

Now, if they are going to continue to pay drafts without regard to how bogged down they are, I suppose that is another matter.

The other point is that I do feel that it widens the advantages of the co-ops over the private trade. Those are my objections to the change. As Mr. Allen pointed out, I feel like the program has worked in the past. I was not aware of the large amount of skulduggery and I feel it will work in the future and I don't like to—I don't approve of the changes that have been offered. That is my statement.

Mr. GATHINGS. You feel that with the new program as outlined on this sheet here by the Department for 1965 that it favors the cooperatives over the private individual?

Mr. SANDERS. If I interpret it correctly, it seems to me it does. It seems to me that they are able to retain the documents and everything in a manner that would give them whatever advantages arise over the

private merchant because they have all that reference at their fingertips. We have the privilege of going to the county office and looking up documents but that is not the same as having it in your possession, and as far as that goes, the mere fact that the farmer gets it in his head that the cooperative can give him one deal and we can't, that is important.

Mr. GATHINGS. The farmer gets it in his head what? I didn't understand.

Mr. SANDERS. We are on the margin of a territory that deals with co-ops in the handling of their cotton and just the simple fact that they get it in their head that the co-op can give them a more complete service than we can is an advantage to the co-ops and that is just another objection that I have to the thing. I feel it gives the cooperatives a little greater advantage than they already have.

Mr. GATHINGS. A psychological issue.

Mr. SANDERS. That minor point; yes, sir.

Mr. HAGEN. Actually the co-op can give them a better economic advantage under most circumstances since it exists solely for the benefit of its members assuming they have good management.

Mr. SANDERS. Well, sir, in the year 1959-60—

Mr. HAGEN. If the grower is not a member of the co-op, and there is a good co-op in the area, it is probably because he needs crop financing not obtainable from the co-op or is large enough to drive a hard bargain with any dealer.

Mr. SANDERS. Well, if it is, I have been going about this thing wrong. No, sir, that is not my understanding.

Mr. HAGEN. Either that or he is so big he doesn't need the co-op.

Mr. SANDERS. I don't know what co-op you are talking about. In the first years of the A and B program, in the 2 years of the A and B program, we had a kind of argument with a certain co-op, a major co-op that is adjacent to us. That is a matter of record and I can produce it, although I am not prepared to at this time. We never had the figures on what the co-op could do. They would come into our territory making claims as to what they could do for the individual producer. There wasn't any way for us to refute the claim. It was simply logic that they were five times larger than any groups of our firms. So during the A and B years, all of these transactions as to how much cotton they took into the loom, how much they sold, what they got for it, those were all a matter of public record and we hired, as a group of Arkansas cotton exchanges, an accounting firm in New Orleans to compile a statistical survey of the comparison between the functions of this particular co-op and the functions of the private exchanges in Arkansas, and they didn't do as good a job as you apparently thought they did. We beat them. And that is a matter of record. And we feel like with their obvious advantage, we can still beat them.

Mr. GATHINGS. Any questions? Did you finish your statement?

Mr. SANDERS. Yes, sir; I did.

Mr. GATHINGS. Any other—

Mr. GODFREY. Mr. Chairman, I would like to make one statement on the co-op relationship with merchants. Actually I believe this change will tend to serve the cotton merchant and put him on a more equitable basis with the co-op than he has been in the past because in the past the records for cotton that went under loan on form A have all been

retained in New Orleans, in many instances 1,000 or 2,000 miles away from the merchant, and if he wanted to redeem some of that cotton because of special qualities, he was not in position to do so until it had been taken over by the Government and placed in the catalog.

Now, with these records being retained in the local county office, and the merchant having access to those records, the same as the co-op has access to the records of the cotton on which form G loans have been made for their producers, it seems to me that they are in a better competitive position. Certainly the grade and staple don't reflect all of the qualities of cotton and if they find some cotton in a certain area that has certain qualities they are marketable at a higher price, then they can redeem it much quicker from the loan and sell it and they can get an earning out of it as well as the producer.

Mr. GATHINGS. Mr. Allen, do you have any comments with respect to that?

Mr. ALLEN. Well, all I will say is that the cotton merchant has to be pretty enterprising to still be in the cotton merchandizing business. In our territory I believe I can say that 99 percent of all the cotton is looked at before it goes in the loan. A record is kept by some merchants with cotton that goes in the loan and in the spring when he gets pretty hungry he does his best to get it out of loan and make a profit on it.

We don't feel that having it in the county office will serve any great purpose in helping our position. However, if all Government loan cotton was made available to the trade, possibly on an equal basis, we would.

Mr. HAGEN. What is the source of your profit if the cotton stays in the loan?

Mr. ALLEN. Well, I make a profit putting it in the loan but if it stays in the loan, I don't make anything. If I can sell the equity for the producer and make a commission for selling his equity, I make that. If I can go up and down the street and find other merchants—we have 175 merchandizing firms in Memphis—and find another merchant who has cotton who will display it on the table and tell you that this cotton is in the loan, it went in the loan on a certain date, the producer needs a \$2 equity, he can figure the cost of getting it out of the loan and if you are able to buy it and make a profit on it, you buy it, but you certainly usually in the Memphis territory have the second opportunity to see the loan cotton.

Mr. HAGEN. I want to inform myself about your business.

Mr. ALLEN. I am very happy to tell you, sir.

Mr. HAGEN. Are you in the business of buying cotton or merely handling cotton?

Mr. ALLEN. As I told you, I am what they call a piker, a term in the trade. I am a—I just do everything I can do to make a living. I buy cotton on commission, sell cotton on commission. I put cotton in the loan for commission, I take orders from mills and ship it to try to make a profit. I export cotton to try to make a profit on this. I do a little bit of anything I can find to do.

Mr. HAGEN. Among other things you buy cotton from farmers and hope to resell it at a higher price.

Mr. ALLEN. That is correct. However, on the cotton I handle on commission for producers, it is a matter of record that I do not buy a bale of that cotton. I send them an invoice showing who bought the

cotton and if they bought it on that invoice, I take my commission off and in Memphis, if they didn't check, they wouldn't know.

Mr. HAGEN. Now, in any of these transactions you make with the producers, do you start out on a commission transaction and wind up in a buyer position?

Mr. ALLEN. No, sir. Not with the producer, but I can go right next door 10 feet on either side and the other people that operate the same as I have that have cotton for sale there to sell it to me. I do not buy any of the cotton that I handle on commission.

Mr. GATHINGS. Let me ask you what is the outlook for 1965 in moving that cotton into channels of trade rather than into the loan?

Mr. ALLEN. Well, this year the export price from June to June went up 100 points and our exports went down about a million and a half bales, with no change, which we don't see any change on and we have heard no subsidy amounts so far for the next year's crop. We are looking for a pretty bad year on the cotton trade and all of us up here right now are setting our sights for July 31, 1966, hoping that we will have a new program and we will again move cotton in volume. But we feel that the export—that the domestic business will increase next year but we feel that the export business will decline under our present program.

Mr. GATHINGS. Do you think we would have had a better demand if we had had a 4-year program instead of a 2 as passed last year?

Mr. ALLEN. I think it is a question of price, Mr. Gathings. I think we have got to meet the world price. Until we meet the world price, our demand is not going to be too good. We are a residue supplier of cotton in each year and the foreign markets increase their production, which takes care of any increase in consumption and increase—more than increase in consumption, and it seems to be leaving us with a little less.

Mr. GATHINGS. Any further questions?

Mr. JONES. Mr. Allen, I am not trying to pry into your business, but there is a uniform charge made by all the cotton merchants—the commission for the buying and commission for selling? It is uniform, isn't it?

Mr. ALLEN. No, sir. It is not uniform. I think the charge of \$1.50 a bale which may be a little high, but for that I feel like I give them the service, and as a rule, about the first part of April sometimes, well, whenever you file the income tax, I usually get a call the day before from producers that I sell cotton for saying, "How many dollars' worth of cotton did you sell for me this year, and what was my net income?"

For keeping those records and handling this cotton, checking it against the loan, and doing my best to get him the best price, the producers for whom I handle cotton, who I think are very intelligent, are willing to pay for it.

Mr. JONES. That is a fee you charge for putting it into loan also?

Mr. ALLEN. I do either one. On cotton output in the loan, if I am able to take it out on equity, there is no further charge.

Mr. JONES. Thank you.

Mr. HAGEN. Is it less likely that they will use your services under this new proposal?

Mr. ALLEN. If this thing bogs down and I can't get it in the loan as fast and can't get it out as fast as I have in the past, and the co-op

man rides by and says, "Look, nothing has changed with us, we can give it to you just as quick," yes, sir; there is a chance. I just think it is a step in the wrong direction from the independent cotton merchants' point of view.

Mr. GATHINGS. Thank you very much, Mr. Allen.

Any other person present who would like to testify on this loan question?

Mr. HAGEN. In the light of this, I think some correction ought to be made somewhere in that statement in the Appropriations Committee report about the bonding. That is a gross error.

Mr. GODFREY. We have answered that to the Appropriations Committee.

Mr. GATHINGS. We have it in the record here, too.

We will stand adjourned.

(Whereupon, at 4:32 p.m., the committee was adjourned, to reconvene subject to the call of the Chair.)

COTTON

WEDNESDAY, JUNE 2, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 11 a.m., in room 1301, Longworth House Office Building, Washington, D.C., the Honorable Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, Jones of Missouri, Hagen of California, Stubblefield, Olson, O'Neal, Vigorito, Redlin, Greigg, Callan, Dague, Teague of California, Quie, Mrs. May, Dole, and Walker.

Also present: Christine S. Gallagher, Clerk; Hyde H. Murray, Assistant Clerk; John J. Heimberger, general counsel and Francis LeMay, Consultant.

The CHAIRMAN. The committee will please be in order.

It gives me great pleasure to recognize a very distinguished Member of Congress who spent many years on this committee, the Honorable Clark Thompson. The Chair recognizes Mr. Thompson.

STATEMENT OF HON. CLARK W. THOMPSON, A REPRESENTATIVE IN CONGRESS FROM THE NINTH CONGRESSIONAL DISTRICT OF THE STATE OF TEXAS

Mr. THOMPSON. Mr. Chairman and members of the committee: I am here for the purpose of introducing a witness, Mr. Chairman. Shall I bring him up here beside me?

The CHAIRMAN. Yes, sir. Bring him up beside you and you come up here, too, if you will, please.

Mr. THOMPSON. Thank you very much, Mr. Chairman.

With your permission I will sit here beside him.

The CHAIRMAN. Yes, sir. We are glad to hear from you now.

Mr. THOMPSON. Those of you on the committee, Mr. Chairman, especially those who have to do with the cotton business particularly will remember that during my years on this committee I very frequently said that I would like to consult with a friend and a constituent of mine down in Texas, Mr. Harris L. Kempner. I told you quite freely that he is the best informed on the many ramifications of the cotton business, of any man that I know. He understands the merchandising of it, the factoring of it, and the banking end of it, and, incidentally, he is also a producer of cotton. In all of his discussions with me, I have been particularly impressed that he understands better than anybody all of the different facets of the industry and that all of them must prosper or none of them will prosper.

I must say in all fairness that I have not always agreed with him, but equally in fairness to him, I must say that when I have disagreed, I have usually been wrong.

He has a story to tell you today. I know it will be brief. But I do suggest to you that you have here an expert, and if you want to ask him questions, I know that he will be glad to respond.

It is a very great pleasure for me to introduce Mr. Harris L. Kempner of Galveston, Tex.

The CHAIRMAN. We are very glad to have you, Mr. Kempner.

You are accompanied by a very distinguished Member of the Congress. We will be glad to hear you now.

STATEMENT OF HARRIS L. KEMPNER, PRESIDENT, AMERICAN COTTON SHIPPERS ASSOCIATION, GALVESTON, TEX.

Mr. KEMPNER. Thank you very much, Mr. Chairman, and thank you, Clark, for those kind words after all of these years.

My name is Harris L. Kempner, and I have been for some years president of H. Kempner Cotton Co. of Galveston, which has been in the cotton business for over 100 years and we also farm a substantial amount of cotton.

This year I also have the honor of being President of the American Cotton Shippers Association. The American Cotton Shippers Association. The American Cotton Shippers Association has been in existence for almost 50 years and through its various regional affiliate organizations comprises almost all the private handlers of cotton (and numerous allied industries) throughout the Cotton Belt.

As merchants who have sold American cotton at home and throughout the world, we have watched with the utmost dismay the attrition of the market for American raw cotton. The committee is quite familiar with the statistical record so I shall not review it again.

I should like to refer to these charts over here. One is an enlargement of a chart furnished by the Department of Agriculture which shows the consumption trend and the production trend of world cotton, which is the one at the bottom. And you see that they cross in 1970 and at that crossing point there will be no more American exports of cotton because we will remain a residual supplier. The only hope is to force those lines apart. I hope to tell you how to do that a little later.

This other chart is a chart that is based on figures furnished by the Cotton Council which we found of interest. It goes back to 1946 and 1947. You will note that the free world exports of cotton is just at 9 million bales, of which the American portion was 4 million bales.

In 1964-65, it is estimated as something like 17 million bales of international trade of which the American portion remains approximately 4 million bales. To me it is drastically representative of the figures which are presented by the Under Secretary of Agriculture at greater length. I will leave those for your constant reminder.

I believe that it shows quite clearly that if our present cotton program is allowed to continue, American exports (except for a few specialties) will almost completely disappear within the next 4 or 5 years, and the Government stocks will, over that period, rise to at least 20 million bales, unless, of course, cotton acreage has been cut

back drastically to equalize cotton production with domestic consumption.

Such a situation is intolerable from every point of view—that of the burden on the Treasury, the evisceration of a great agricultural industry, the ruinous effect on our balance of payments, and the consequent disaster to a whole section of our country.

The American Cotton Shippers Association has by repeated unanimous votes adopted a set of principles regarding national legislative policy which I would like to call to your attention.

1. It is the primary purpose of the American Cotton Shippers Association to sponsor and support legislation which will move cotton into the channels of trade at prices which will be determined by the law of supply and demand;

2. Any difference between free market price and the price to the producers should be determined as a separate issue and any payments which might be made to sustain farmer income should be paid directly to the producers;

3. Our policy recognizes that the demand for cotton is elastic over the long term, and further recognizes that without consumption there is no economic justification for production. Essentially, annual consumption must equal annual production and there is no economic justification for a policy which does not sell for consumption substantially all of each year's production;

4. Any loan rate which might be established should be at a protective level which will result in a price designed to keep cotton out of Government-owned surplus. Recent policy has resulted in alarming foreign competition and a continuous increase in foreign cotton acreage with a declining U.S. cotton acreage. Our policy, as outlined above, would tend to reverse this trend.

The root cause of the problem must be recognized and dealt with; the price of American cotton must be freed to meet the law of supply and demand in the world market if the sale of American cotton is to hold its own in competition with foreign growths. Put differently, the price mechanism must be allowed to function and the fixing of prices of American cotton by Government must be stopped. Unless this is done, American cotton will not regain its place in the world markets and the export decline will continue unabated.

The farmers' income which has been sustained by the above-market, nonrecourse loan, must continue to be maintained at a level sufficient to enable farmers to pursue efficient farming methods and share in the prosperity of our Nation. Since the above-market loan must be eliminated to enable the price mechanism to work, an alternative means of assuring farmers' income must be devised. It will be necessary to make direct payments to producers on a scale sufficient to meet these income requirements and we think this should be specified by statute. It must be recognized that these payments will be large, and it is absolutely essential that they be made without limiting the amount paid to any one farmer; otherwise, they will not serve their purpose. Even with large per-pound payments, however, the cost to the Government should be substantially less than the present program, because each year's crop will move into commercial channels and not through Government hands, thus saving not only the cost of storage but also the enormous loss with which the Government is faced when selling cotton acquired under the above-market, non-recourse loans.

There are several possible ways in which to evolve a system which would: (a) permit cotton to be sold at the same price at home and abroad; (b) let the price be determined by this market mechanism; and (c) protect farmers' incomes. The simplest method, I think, would be to have the Government determine a price per pound which

would represent a fair income to the farmer, basing this either on the domestic proportion of his allotment or on his entire allotment. As each farmer sells his cotton he should be paid the difference between the average of the spot markets of the preceding week and the designated fair-income price or alternately this difference could be determined by comparing the average farm price of the crop for the year with the designated price for the income price.

For example, if it were decided that 28 cents a pound represented a reasonable price-income figure and the average spot market price for a given week was 20.40 cents per pound, then the farmer would receive a direct check from the Government for 7.60 cents per pound multiplied by either the entire poundage sold during that week or the domestic proportion thereof, as the law may provide. Thus the farmers' income will be protected, but the buyer of his cotton will be free to meet the day-to-day competition of synthetics and foreign growths. This has not been possible in the past because the loan figure which was set was always a minimum price below which American cotton could not be sold; it was also an umbrella for all competing growths which could sell freely by shaving that price.

It is our firm belief that if this program is adopted, cotton merchandising organizations handling our cotton, both private and co-operative, would be able to distribute current crops in their entirety either into consumption or into pipeline for consumption instead of into warehouses. Cotton can only continue to be grown for sale, not for storage. Domestic mills will buy U.S. cotton on an equal basis competitive with foreign mills.

Under this program, the futures market will be permitted to function and farmers, merchants, and mills have available to them a tried and proven method for hedging their cotton. This will not only provide desirable elasticity in marketing cotton, but will tend to give substantial confidence to buyers both of cotton and cloth, who will tend to give substantial confidence to buyers both of cotton and cloth, who will then be able to safeguard themselves in the market against major price swings, and thus pursue their operations with a confidence which is now entirely lacking under a price system controlled by Government decree, subject to change in administrative will with far-reaching results on the price structure.

It will not be easy or simple, however, to overcome completely and immediately the difficulties engendered by so many years of above-market loan. Certain interim measures will surely be necessary to permit moving the current crop into consumption each year as we emphasize must be done:

(1) Government-owned stocks of cotton which by August 1, 1966, will be between 12 and 14 million bales must be insulated from the market by legislative action for 3 to 4 years. Our suggestion would be that these stocks be salable, say 1 million bales at 24 cents, 1 million bales at 24½ cents, 1 million at 25 cents and any quantity at 26 cents and above, or on some similar basis as the committee may incorporate in the legislation.

Under this program the Government stocks would be available in case of a crop disaster or some world situation which might cause unexpected demands for cotton, but would not interfere with marketing of the crop under normal conditions. We would also suggest that

exchanges be permitted. In other words, the situation might well arise when there would be a demand for a certain type of cotton which is not readily available in the current crop but which is plentiful in Government stocks. We would permit bale-for-bale exchange of such cotton for cotton out of the current crop (with appropriate value adjustments) so that no possible inquiry for American cotton would be refused because of the peculiarities of any particular crop.

(2) We recognize that limitation of cotton acreage will be necessary for several years during the transition period until the position of U.S. cotton is reestablished in the world market.

(3) We are in favor of provisions in H.R. 8149 which permit additional support at a level up to 25 percent in excess of the basic level within the farm domestic allotment, provided that such farm domestic allotment is 15 acres or less. We agree this should be paid regardless of whether the cotton is or is not grown on such acreage.

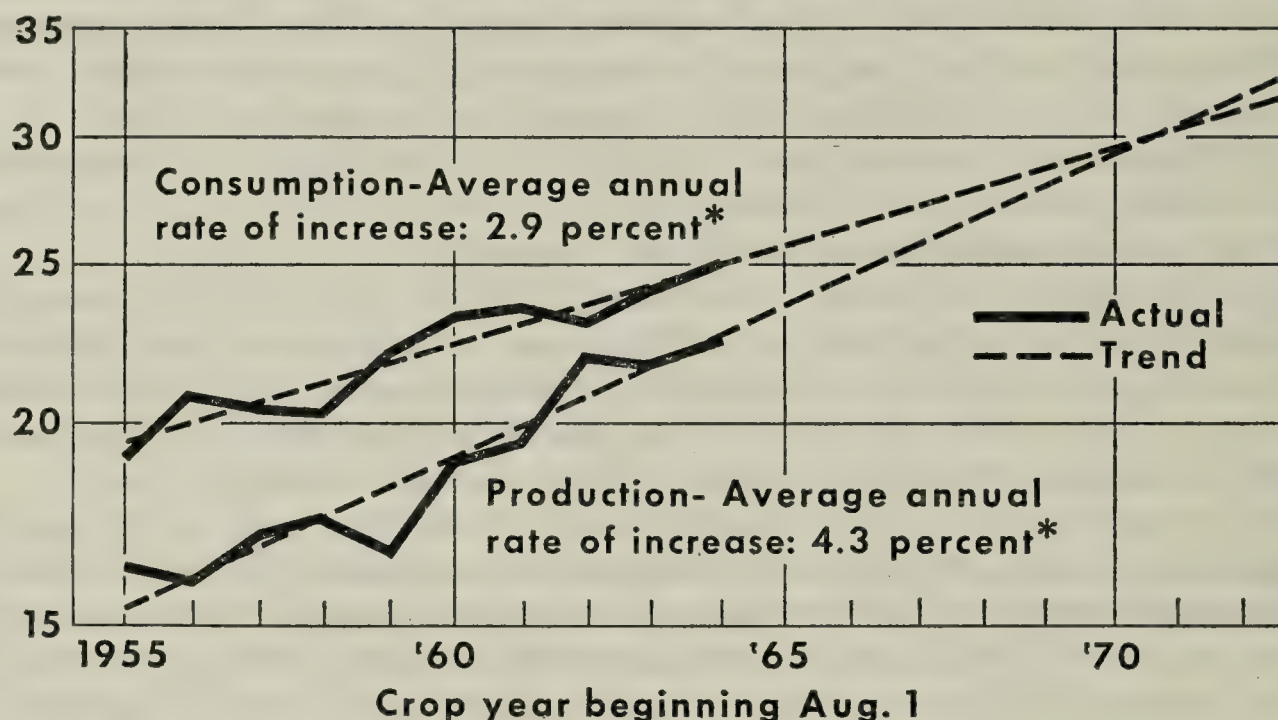
(4) Since it is essential to secure orderly marketing, we support the Department of Agriculture's proposed amendment No. 2 to the bill. This would require the Secretary to extend the period for consumption or exportation of old crop cotton beyond July 31, 1966, or alternately, make payments for raw cotton in inventory as of July 31, 1966. If such provisions are not assured purchases of 1965-66 cotton will come to a standstill early in that crop year.

We repeat that if such a program is adopted it will, as Secretary Freeman recommended, enable the market to determine price. American cotton will sell and will gain its place in the world's market. Uninhibited by unrealistic pricing, American cotton will sell on its spinning merits, the Government stocks will not continue to increase, the income of the commercial farmers will be safeguarded, and in addition, the social problems of the smaller farmers will receive the special attention they so badly require.

(The charts entitled respectively "World Exports of Cotton" and "Foreign Free World Production and Consumption of Cotton" follow:)



FOREIGN FREE WORLD PRODUCTION AND CONSUMPTION OF COTTON



500 pound gross weight bales

* Plotted on ratio scale where equal vertical distances represent equal percentage changes

U.S. DEPARTMENT OF AGRICULTURE

NEG. SEG. 1-65 (5)

STAFF ECONOMIST GROUP

The CHAIRMAN. Thank you very much, Mr. Kempner, for a well-prepared statement. You suggest that we not take out this cotton which is now in inventory?

Mr. KEMPNER. Yes, sir. Excuse me. Had you finished your question?

The CHAIRMAN. Yes.

Mr. KEMPNER. Yes, I do, sir. You see, the thing that is important is to keep that stock from increasing and if you can dispose of the entire current crop each year you gain that objective. Any effort to dispose of the stock in place of the current crop would very likely simply lead to a circular motion in which each crop goes back into the loan as you sell part of the stock out into the markets of the world. It is not too important which end comes first. I mean it is a global problem. You have the current crop and stocks. But in order to keep cotton from funneling in and out of Government loans my thought is to sell the crop itself, thus keeping the loan from increasing and reserving it for sale as, if and when the world conditions permit.

The CHAIRMAN. But you would not advocate any slowing up of production?

Mr. KEMPNER. Oh, yes, sir; I do. I think you have to control the production for the time being.

The CHAIRMAN. How would you do that?

Mr. KEMPNER. That is the question. I do not think that it should be cut from 16 million acres, but this is a subject, or, let me put it this way instead—you have to fit this thing into the pattern of reduced expenditures—you have to keep your acreage limited for some time to come. I think there comes a point in cutting or limiting this acreage where the loss in the economy to the farmers overbalances the saving in

the budget. I suspect that 16 million acres is about that figure. But I would not like to pose as an expert on that particular point.

The CHAIRMAN. I suggested in the bill a reduction from 16 to 14 million acres. That might not be the proper figure, but it would appear that it could be that figure. We have a program under consideration under which we will have further reductions and next year you will take some more out of production.

I realize that you do not wish to reduce production too much, but it seems to me that you have got to have a substantial reduction in the production, because when you contemplate the cost of this program over the next 4 or 5 years, the figure will be enormous.

Mr. KEMPNER. No, sir. Let me get back to this acreage reduction proposition for a moment, Mr. Chairman. The distinction between the land retirement program, where the people take the voluntary retirement of their farm or a payment, this is splendid because those people make their own choice, and they get out. The people want to farm—the people whose economy depends on farming a certain minimum of acreage and have the machinery set up for it, would have a tremendous inefficient operation if there was a cut in their acreage, and they would have a constant worry about it. And those are the commercially efficient farmers, the ones that you would have to worry about.

The idea of reducing the acreage of the people who do not really want to farm is ideal.

Now, as to the cost, if you have a 14-million-bale crop, and you paid every farmer \$1.50 a bale, which is 10 cents a pound on the entire crop, not only the domestic portion but the whole crop, that would be \$700 million as a cost of that. That is considerably less than the program is costing now. But it will bring other savings with it, because you will not have cotton going into the loan every year.

The costs as listed have tended to disregard the enormous cost the Government has when it sells cotton. It has cotton in stock today which it had taken in at 32½ cents, I think it was, and at 30 cents and 29 cents, which it is selling at 23 cents, and so far as I can tell that becomes, that is, the sale of that cotton, an asset. It becomes revenue. And the tremendous loss between that which the Government paid for it and what it sells it for is not taken into account, but it is a loss, just the same. It is an enormous loss. And this will all be avoided.

And when you look at those lines which are going together, in order to spread them apart, you have got to get this price low enough so that the constant expansion of the foreign acreages is inhibited.

You are not going to do it in 1 year—you are not going to cure this in such a short period of time. You are not going to prevent the foreigners from selling cotton they have already gathered, but you will prevent them from continuing to expand and to increase production. And the increase in consumption can belong to the Americans so long as we do make it unprofitable for the foreigners to increase their acreage, but that costs money because you have to get the price low enough to do it.

The CHAIRMAN. Would not the foreign producers continue to lower their price if we continued to lower our price?

Mr. KEMPNER. Well, sir, we are not going to set any price. You are going to let the marketplace set it. The foreigners can grow cotton profitably at the market established by the law of supply and demand

and if so, they should be entitled to grow it, if they can do so, and the Americans who can grow it at a profit at the price plus the subsidy, should be entitled to grow it. Certainly they are going to continue to grow it but I do not think that the expansion is going to continue.

The CHAIRMAN. What are the storage rates on the 14 million bales of cotton that we now have in storage?

Mr. KEMPNER. The storage rate will roughly \$1.50 a month. That would be a figure of what, about \$120 million, but, Mr. Chairman, there is no way in the world unless you take that cotton out to sea and dump it or burn it or try to find a paper industry mill that will buy it that you can dispose of it.

The CHAIRMAN. It would take a long time to dispose of it that way.

Mr. KEMPNER. Yes. This is an accumulated penalty of an above-market loan which there is no way to get out of. This is the residue. This is your malady, the fever which lingers on.

The CHAIRMAN. Thank you very much, Mr. Kempner, for your statement and for your contribution.

Mr. JONES of Missouri. May I make a statement?

The CHAIRMAN. Yes.

Mr. JONES of Missouri. I appreciate what you are trying to do here—you are trying to get a competitive market. I think that is the only solution. Otherwise it will keep getting worse all of the time.

It has been my belief, coming from the area that I do in Missouri where cotton is confined to a small area; in other words, within a radius of about 40 miles—all of the cotton is produced within that area—that from studies made by the University of Missouri the cost of producing that crop on the various farms, that there will be a variation in that cost of around 9 cents per pound—the inefficient farmer will have a cost of 9 cents a pound more to produce his cotton crop than the farmer who is efficient has in the way of cost.

I have made this statement many times, that if we in some way could get over this social problem—and that is something that all of the farm programs have gotten into—we are always trying to protect not the efficient producer, but we are protecting the inefficient producer—I have felt that if we could arrange a payment, a subsidy to this inefficient producer that it would help, and one way I suggested was to buy up his allotment—the Government to pay for that allotment over a period of years, to take that cotton out of production, and then the efficient producer would be helped.

And I think, also, that if all controls were to be taken off—all price supports were to be taken off—we would find that cotton being grown in greater quantities, in some areas, where it is now produced in restricted quantities and that it would go out of production in other areas. I have felt that as of this date, that there would be enough farmers who could produce cotton efficiently, who would be able to sell their cotton at 25 cents a pound and produce all of the cotton that would be consumed both domestically and in our potential export markets, and in that way we would come nearer a competitive market. Of course, the objection to that is, what is it going to do with these farmers in the inefficient areas that we have been maintaining over the years?

Do you think that there would be enough cotton produced in the United States which could be produced profitably at 25 cents a pound, in sufficient amounts to meet the domestic and export markets?

Mr. KEMPNER. Mr. Jones, do you mind if I divide your question up a little bit, and if I do not come out with the answer, ask me again.

Mr. JONES of Missouri. I want to get your ideas on this.

Mr. KEMPNER. In the first place, absolutely, I agree with you that one has to separate the social problem from the two other things. One, from the price of cotton, and the other from whatever you have to pay the efficient farmer to maintain his standard of living. This I thoroughly agree with.

I think whatever payment should be made in the wisdom of the Congress to the farmers to maintain their position in the American economy and to enable them to increase their purchase of machinery and to farm efficiently should be separated from the price level of cotton. It should be entirely a separate payment.

When you talk about how many people can grow cotton to sell profitably at 25 cents a pound, you get into a very difficult situation because, first of all, you have to determine what value you will give to the land when you figure the cost of growing the cotton. If you are going to base the land values on what the people paid for their land when cotton was supported at 32 cents, that would be one thing. If you take the land value at what it would be worth if this program would continue and collapse of its own weight, it would be quite something else. If you eliminate the land values altogether, there is no doubt that people can raise cotton profitably at 25 cents a pound. When you put land values in, I do not think that anybody can answer that question until they have made an analysis of every specific case. Does that answer your question?

Mr. JONES of Missouri. Thank you.

Mr. OLSON. Mr. Kempner, do you think that we could market the production from 16 million acres.

Mr. KEMPNER. Yes, sir.

Mr. OLSON. And at what price do you think it would then go?

Mr. KEMPNER. That is a neat one for me, Mr. Olson. This is an estimate and in my opinion, if you announced this program on July 1 of this year to be effective July 1966, the immediate effect on the futures market and the spot markets would cause a very substantial decline in prices. I think it definitely would go below 20 cents, probably around 18 cents. I think at that level terrific buying would come in. You would have the futures market functioning and people would be glad to cover their requirements well ahead at such a figure.

You see, in order to get people to buy anything, as you know perfectly well, you have to give them an atmosphere and this is a businessman's risk, where there is a possibility of that commodity going up. Nobody has an incentive to buy American cotton under the present program because the price can possibly go up. And if you exposed it to a catastrophic risk, which you would do under some of these schemes that have been advocated to hire a supersalesman to change the price every 2 weeks, nobody would buy it, either. If you have a situation in the marketplace where they see bargain prices you will have heavy buying and the price would go up. And I would suggest that it would settle, with absolutely normal conditions in the range of around 20, 21 cents, and then if you have a crop failure in any of the major producing countries you may very well have your cotton selling higher than it is today.

Mr. OLSON. Are they going to pick up the cotton for 18 cents?

Mr. KEMPNER. If they sold it at a bargain, is that what you ask in the futures market?

Mr. OLSON. You said that we should mark up all of the stocks. Where are you going to get all of the cotton at 18 cents?

Mr. KEMPNER. Out of the current crop, which is the first question you asked me. You see what would happen——

Mr. OLSON. All right, let us go on then. We are going to be offering the first crop at 18 cents?

Mr. KEMPNER. No, you do not have to offer anything.

Mr. OLSON. Somebody will buy it at 18 cents?

Mr. KEMPNER. That is right. But you are not offering it at that. The cotton is there for sale at the market. The first thing that would happen is that it would go to the New York future markets. It is in such a pitiful state, that some do not think that it is there, but it does still exist. October 1966, futures would be traded? No. Nobody buys them because nobody sells them—nobody can find any buyers. But if such a thing happened in that situation, if that market was effected at 17 or 18 cents, there would be a lot of sellers and a lot of buyers.

Mr. OLSON. What I am trying to get at is this. Mr. Jones mentioned 25 cents a pound for cotton.

Mr. KEMPNER. Yes, sir.

Mr. OLSON. Now we are talking primarily of a social problem. Yet what kind of a problem will we have at 18 cents a pound? You are saying, isolate the Government stocks. Let us not add to them. On the other hand, I wonder if there is agreement that we should drop the price to 18 cents a pound. We are not going to have any cotton crops, we are going to allot them out at \$120 million a year. And we should be doing something that will assure us that we do not add more cotton stocks. I am wondering if the industry is willing to accept the fact that cotton will go as low as 18 cents a pound.

Mr. KEMPNER. Mr. Olson, your statement presupposes the fact that somebody is going to set a price of 18 cents and that it will stay there. In order to answer your question as to what the price will be I envisage a momentary drop, because you are releasing the current crop of cotton which hitherto has been locked up. Previously, you locked up not only the accumulated stocks, but the whole crop until everybody in the world had sold their crop. Now you are releasing it. This will have a depressing effect. The price will not stay at 18 cents.

Mr. OLSON. Then may I say this, you are recommending that we drop the support on cotton to 18 cents a pound?

Mr. KEMPNER. No, sir; I am——

Mr. OLSON. What difference will it make in New York?

Mr. KEMPNER. Because you will not have any support prices, which I am recommending. I am recommending that you set up the payments just as you do in the wool system today which works very well. You pay the farmer the difference between the average market price at the time of his sale—the average market price for the year and a fixed income return figure which you determine, 29 cents, 28 cents, whatever it is. He gets that money. That substitutes for the above market loan you have. It gives him income, but permits the cotton to sell, so that it does not collapse.

Mr. OLSON. There is quite a difference in the wool program. Domestically, we have not been producing enough for years.

Mr. KEMPNER. I know that this is true. Wool is a deficit crop. I do not see how it has any bearing on the operation of this scheme, however.

Mr. OLSON. What I am saying is that we have to be prepared to face the fact that cotton will go down and we are going to have to make up the difference.

Mr. KEMPNER. That is correct.

Mr. OLSON. In direct payments; is that what you are saying?

Mr. KEMPNER. You are correct. You cannot limit your maximum risk.

Mr. OLSON. We have no production quotas on wool. You are still saying that we can keep production quotas on cotton?

Mr. KEMPNER. Yes.

Mr. OLSON. And have a compulsory program, so that we have to accept the controls?

Mr. KEMPNER. Yes.

OLSON. The only way that we can do that is to assure that the difference between the market price, whatever it may be, and the farmers' price will be made in direct payment.

Mr. KEMPNER. Up to whatever figure you determine.

Mr. OLSON. What would you suggest that the farmers would accept as the price?

Mr. KEMPNER. Well, they are getting now 29 cents on their entire crop. In this proposal, the acreage is cut to 14 million acres, I think that they would much rather take 29 cents a pound on their entire crop than to have the acreage cut. If they were an efficient farmer they would, probably, rather do that. Certainly they are not entitled to perpetuate a situation in which they pretty soon will not export anything. You stocks will be 20 million bales and you will still have the loss and have no hope of selling it.

Mr. OLSON. Thank you.

The CHAIRMAN. Thank you very much, Mr. Kempner.

Mr. KEMPNER. Thank you.

Mr. THOMPSON. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, come again.

Mr. THOMPSON. I still feel more at home here than anywhere else.

The CHAIRMAN. Our next witness is Mr. W. W. Holding, vice president of the Atlantic Cotton Association, from Wake Forest, N.C. We will be glad to hear you now.

STATEMENT OF W. W. HOLDING III, VICE PRESIDENT, ATLANTIC COTTON ASSOCIATION, WAKE FOREST, N.C.

Mr. HOLDING. Mr. Chairman and members of the committee, my name is W. W. Holding III, of Wake Forest, N.C. I am a cotton merchant and a farmer. I appear here representing the Atlantic Cotton Association of which I am vice president. This association is comprised of merchants and brokers located in Virginia, North

Carolina, South Carolina, Georgia, and Alabama. A number of our members are also small producers in the Southeast. Our members buy cotton from all of the cotton-growing States in these great United States, and sell cotton to every consuming mill in the United States and rest of the free world. We are therefore the handlers of the cotton producers' products and their future is our future. Whatever is produced we can move it, and know how to move it better than anyone else because of our experience. We have an integral stake in the future of cotton as do our producer customers.

We are in the unique position of being able to see more than one of the dimensions of our cotton problem. We have the producers as customers and quickly recognize their problems. We also have the consumers as our customers and we easily see their problems. While the consumer needs raw products at competitive prices, he must also be guaranteed an unfailing and constant supply on which he can depend. The producer needs a ready and dependable market for this product, and he must be able to obtain a realistic price for what he produces. Our society is geared heavily to the production of cotton and its by-products and we badly need continued and expanded use of this fiber in our entire economy. This ultimately can be attained; however, it cannot be done overnight. It will take time to repair the damages done and to accomplish what we need. Plainly spoken, the industry needs lower consumption prices and larger production. If we will bring our prices to the proper level, supply-and-demand laws will require more production. This is our longer range need and during the immediate near term we will find it necessary to reduce production to bring our supplies in line with needs and demand. We therefore need to build a program to handle our immediate needs and provide for our future at the same time.

The present cotton law corrected a great and glaring deficiency in that it made cotton available to the domestic consumer at the so-called world price level. This was a help to 60 percent of our consumption. We overlooked the assist needed to the other 40 percent of our consuming customers, and now we must either handle that problem or lose forever that part of our business. That simply converts into the fact that if we lose 40 percent of our consuming customers we must, from necessity, curtail 40 percent of our producing customers. As businessmen, we know this approach to our problem is a foolish one and most definitely to the detriment of a large segment of our Great Society.

We also know that a smart businessman can always find ways to correct his problems and we know how to correct this one. It is simply a matter of offering our customers, at a competitive price, something as good as, or better than, our competitor. This we must do in order to get our product sold. This is simply part of the worldwide practiced law of supply and demand which is fundamental to our very existence.

The USDA, through Under Secretary Murphy, has pointed up very vividly that our cotton problem can be handled in one of two ways. One would maintain high price supports and dissipate ap-

proximately 40 percent of our business. This approach will have a most damaging effect upon our society, and is not a sensible approach. The other method of handling our problem is suggested by means of which would allow the law of supply and demand to function. It would allow our product to base its price on unrestrained competition with its competitors, and maintain the necessary income to our producers through direct payments until such time as the producer is in position to freely compete with foreign growers and synthetic production. This is the most sensible approach to our problem and has our most vigorous support.

Our Atlantic Cotton Association has for a number of years advocated a basic system of low loan and direct payments to producers to maintain the necessary income. H.R. 8149, introduced by our illustrious Congressman Harold D. Cooley, calls for an approach embodying a basic support price at the 29-cent level. We recognize the producers' need for a basic support level. If the approach suggested in this bill is to be used, we suggest that in the pricing structure consideration be given to having the Secretary of Agriculture pay directly to the producer an amount of 110 percent of the difference between the average U.S. farm price of the week preceding the sale of the producers cotton and the support price of 29 cents as soon as he has sold his cotton on the open market. (For example: Assume the producer sells his cotton on the open market for 20.25. Assume for the preceding week the average U.S. farm price was 20. The direct payment would be 110 percent of the difference between 20 and 29, or an amount of 9.9 cents. The net amount the producer would obtain from the open market transaction would be 30.15). This price structure should provide for net proceeds to the producer of more than the loan and therefore place cotton in the channels of trade rather than the Government loan.

The bill also calls for a proposal reminiscent to the old soil bank. We do not think this is a good solution to reducing production. We are strongly against a return to this type of program as our experience with the soil bank program for cotton was a very bitter one. It is detrimental to all of our society that is encompassed by its operation. We can see very little benefit for anyone. It is desirable and sensible to encourage producers to use every practice available to reduce their cost of production and to produce the type of cotton the consumer needs. This cannot be done by paying someone not to produce something when he did not have interest enough to plant to begin with. As salesmen of the product we cannot overemphasize our need for quality products at the lowest possible price. We know our producer customers are ingenious enough to meet this complex problem if given the proper information and direction and can ultimately allow us to expand our markets, and, therefore, expand our domestic production. We need to keep the producers on the farm producing products from a sociological standpoint as well as from an agricultural demand. We believe that a temporary reduction in the national allotment would be a better answer to reducing production immediately than a return to the horrible results of a soil bank program and a repeat of its damaging experiences.

In making a change in our present program, we also know provisions have to be made to handle inventories in stock in private hands. This is simple enough to be provided for.

The inventories in stock in Government hands must also be provided for since it is not feasible to immediately dump them on the market. Since this surplus stock situation cannot be promptly corrected, it is necessary to have a type of program that would cause their gradual dissipation in order to prevent new crops from being jeopardized.

Given the workable type of program we have outlined here, we as sellers of the product, are confident we can gradually bring American cotton production back into focus and return it to its rightful position in the United States and world markets. This would have far-reaching effects upon the economy of our Great Society.

May I express to you gentlemen the appreciation of the Atlantic Cotton Shippers Association in allowing me to present you with our recommendations concerning solution of the problem confronting us.

The CHAIRMAN. Thank you very much, Mr. Holding, for your fine statement. What do you mean by the statement at the top of page 2 where you state, "Plainly spoken, the industry needs lower consumption prices and larger production"? Do you mean that we ought to increase the production, rather than to decrease it?

Mr. HOLDING. I think that it would be to the benefit of the cotton economy if we could get our production higher than it is at the present time. And the only method by which we would be able to do that would be to get our prices down so that we can compete with other people.

The CHAIRMAN. You want it to compete in the world market?

Mr. HOLDING. In the long run, yes, for the immediate near future. I do not think that is feasible for that, but in the long run over a period of years, I do.

The CHAIRMAN. You agree with Mr. Kempner, essentially, in his statement then?

Mr. HOLDING. Substantially; yes, sir.

The CHAIRMAN. Thank you. Mr. Hagen?

Mr. HAGEN of California. What has been the high and the low in the world market price for cotton in the last 5 years—has there been very much variation?

Mr. HOLDING. The highs and lows in the last 5 years—there has been a variation—I'm sorry—I am not in a position to give you those exact figures, you know. I expect you know that this year, I will say that the price support is at 29 cents, and the past 3 years it has been up in the thirties.

Mr. HAGEN of California. What variations have there been in the world market?

Mr. HOLDING. In the world market—in the past 5 years, Mr. Hagen, I am not able to answer your question, I am sorry.

Mr. KEMPNER. I thought that it was in here. We missed that one point.

Mr. HAGEN of California. Does it vary very much from year to year, on the average?

Mr. HOLDING. Does it vary with the year itself or has it varied over the period of 5 years, is that your question?

Mr. HAGEN of California. Does it vary on the average over the years—has it varied very much?

Mr. HOLDING. I would hesitate to say. What I am going to say here is exactly that you will find it has not varied a lot over each year. We are a residual supplier and are keeping a lid on it. Price level has been higher. However, I do not think that the foreign prices on the foreign markets have varied greatly within any one year because of our program.

Mr. HAGEN of California. In regard to the marketing in other countries, is there much government interference in their marketing, such as in Guatemala or India or any other place where they grow cotton, that is, in their method of doing this—do the merchants in those countries play the same role as you play here?

Mr. HOLDING. I understand that the foreign producers in some countries are heavily subsidized.

Mr. HAGEN of California. There has been talk about 18-cent cotton and 16-cent cotton, and so forth. Do you think that if we lowered our price, made our price subject to the free market, that there would be a great reduction in the world price of cotton?

Mr. HOLDING. From what I understand I think it is very likely that the present world price in the market, if we were to turn all cotton loose on the free world market, I think you would find that the free world price would decline. It is a matter of conjecture as to how much it will decline—to what point it will decline—and at what point it would level off—whether it would go down and then come back—that is a matter strictly of conjecture.

Mr. HAGEN of California. For instance, in 1958 we marketed about 3,800,000 bales, and in 1956 it was 7,600,000 bales. What was the world price when we marketed only 2,780,000 bales, as against when we marketed 7,600,000 bales?

Mr. HOLDING. I cannot give you a direct answer. You will find each year has its own peculiarities. In some years we did not have foreign production up to what it was in other years. I would say that each year has an entirely different approach, so far as production on the foreign level is concerned and the prices.

Mr. HAGEN of California. I would like to have information showing what the world price has been over a period of years and what relationship there has been.

Mr. HOLDING. I will be glad to get that information for you.

Mr. HAGEN of California. I would like to have that information, as to what effect our marketing has had on prices.

The CHAIRMAN. The information was embraced in a table presented early in these hearings by the then Under Secretary of Agriculture, Hon. Charles S. Murphy. This table shows exports of cotton by years, the loan rates in corresponding years, and gives other general data on cotton. We shall repeat that table at this point in the record. The table follows:

COTTON

Summary of data on cotton

	Allot- ment	U.S. produc- tion	Con- sump- tion	Exports	Ending carry- over	CCC ending stocks	Loans	Ac- quired	Spot market average	Export subsidy or dif- feren- tial	Loan rate Midling 1-inch	Foreign free world produc- tion	Foreign free world con- sump- tion	Foreign free world exports	Cotton acreage	
															United States	Foreign free world
	In thou- sands of acres	In mil- lions of bales	In thou- sands of bales	In thou- sands of bales	In thou- sands of bales	In mil- lions of bales	In thou- sands	In thou- sands	Cents per pound	Cents per pound	Cents per pound	In mil- lions of bales	In mil- lions of bales	In mil- lions of bales	In mil- lions of acres	In mil- lions of acres
1954-----	21,379	13.5	8,730	3,445	11,028	8.1	2,308	1,648	35.0	----- ⁽¹⁾	34.03	15.9	18.7	7.2	19.2	43.5
1955-----	18,113	14.6	9,085	2,194	14,399	9.8	7,257	6,038	35.4	7.2	34.55	16.4	19.5	9.4	16.9	47.2
1956-----	17,391	12.9	8,496	7,540	11,269	5.2	4,830	3,677	33.5	6.2	32.74	15.9	20.9	6.7	215.6	45.9
1957-----	17,585	10.8	7,900	5,707	8,615	2.9	3,657	2,464	34.4	6.5	32.31	16.9	20.4	6.9	213.5	46.0
1958-----	17,554	11.3	8,594	2,766	8,733	7.0	6,832	6,039	34.5	8.0	35.08	17.5	20.5	9.0	211.8	46.8
1959-----	17,346	14.4	8,879	7,178	7,404	5.0	335	326	31.9	-----	34.10	16.6	22.2	8.4	15.1	45.0
1960-----	17,553	14.3	8,131	6,625	7,090	1.5	540	31	31.0	6.0	28.40	19.0	23.5	8.5	15.2	46.0
1961-----	18,458	14.3	8,783	4,908	7,741	4.7	4,850	3,247	33.7	8.5	32.42	19.5	23.6	8.9	15.6	48.3
1962-----	18,101	14.7	8,258	3,348	11,016	8.0	6,853	4,744	33.5	8.5	26.63	21.9	23.2	10.9	15.5	48.8
1963-----	16,250	15.0	8,468	5,661	12,131	10.2	8,088	6,029	33.2	8.5	32.47	21.9	24.3	10.5	14.1	49.7
1964-----	16,200	15.0	9,400	6,450	13,350	10.1	7,300	65,200	30.8	6.5	30.00	22.4	24.9	10.8	14.0	49.8
1965-----	16,200	-----	-----	-----	-----	-----	-----	-----	-----	-----	29.00	-----	-----	-----	-----	-----

¹ Export differential on 1,000,000 bales averaged 7.5 cents per pound. There was no export differential on 1,200,000 million bales.

² Acreage reserve program was in effect in United States in 1956 to 1958.

³ A and B.

⁴ A.

⁵ B.

⁶ Estimate.

The CHAIRMAN. We can get that from the Department.

Mr. HAGEN of California. I have one more question. You would pay the grower a specified amount per pound over the average market price established for a given period of time?

Mr. HOLDING. A specified percentage—not a specified amount—a specified percentage.

Mr. HAGEN of California. That would be on a particular grade rather than an average price for all sales?

Mr. HOLDING. It would all be based according to the grade. You would have a schedule of premium discounts on your grades and staples.

Mr. HAGEN of California. And the grower would not be rewarded for producing poor cotton?

Mr. HOLDING. He would be rewarded for producing a better cotton. And the better cotton he produced the more money he would obtain.

Mr. HAGEN of California. Like in the wool act?

Mr. HOLDING. I am not familiar with the problems of the wool act, or its workings.

Mr. HAGEN of California. Thank you.

The CHAIRMAN. Mr. Gathings.

Mr. GATHINGS. Mr. Chairman and Mr. Holding, I am in full agreement with you with regard to the 50-acre farmer. I agree with you wholeheartedly that we ought not to make a soil bank out of a cotton provision.

This language as written in the bill will be costly without any reasonable basis or reason for paying people to do nothing.

Mr. HOLDING. Thank you.

The CHAIRMAN. Mr. Callan.

Mr. CALLAN. At what price would cotton have to be to compete effectively with synthetics?

Mr. HOLDING. Well, I think that is possibly an impossible problem, because you do not know how well financed the producers of synthetics are—how long they may reduce their price and take a loss and still continue production. That would be very difficult to say, but I will say that the cheaper we get our cotton the more likely it is that it will be consumed.

Mr. CALLAN. How much of the market have we lost to synthetics?

Mr. HOLDING. To give you an exact figure I will have to refer to the Department of Agriculture figures, but it is very large and each year it is larger. As long as we maintain our high price supports we are losing more consumption each year to synthetics.

Mr. CALLAN. Thank you.

The CHAIRMAN. Thank you very much, Mr. Holding. We will next hear from Mr. Frederic Heidelberg, executive vice president of the North Carolina Cotton Promotion Association and the Uplands Cotton Growers, Inc.

I understand that you have several people with you whom you would like to introduce. You may do so.

Mr. HEIDELBERG. I have. I will just introduce those with me and let them stand so that you may see them. We have several men present who have come from North Carolina who are farmers and are here in support of my statement and out of consideration for the whole cotton problem.

First is Mr. Leon H. Stephenson of Route 3, Rocky Mount, N.C. Will you please stand up, Mr. Stephenson and remain standing.

Next is Mr. Sydney T. Jones of Route 3, Rocky Mount, N.C.

Next is W. S. Williams, Jr., of Middlesex, N.C.

Next is J. N. Purnai of Route 1, Battleboro.

Next is Mr. Gilbert Fisher of Route 3, Rocky Mount.

Next is Mr. Lloyd Sharp of Elm City.

Next is Mr. Chester Batts of Route 1, Rocky Mount.

Next is Mr. Calvin M. Horne of Route 2, Elm City.

The CHAIRMAN. We are very delighted to have all of you gentlemen with us. You may proceed, Mr. Heidelberg.

**STATEMENT OF FREDERIC H. HEIDELBERG, EXECUTIVE VICE
PRESIDENT, NORTH CAROLINA COTTON PROMOTION ASSOCIATION
AND UPLAND COTTON GROWERS, INC.**

Mr. HEIDELBERG. My name is Frederic H. Heidelberg. I am executive vice president of both the North Carolina Cotton Promotion Association and Uplands Cotton Growers, Inc. The former is a State level cottongrower commodity organization voluntarily supported by all cottongrowers in North Carolina. Uplands Cotton Growers, Inc., is a cottongrower organization with broad voluntary support in the States of Alabama, Florida, Georgia, North Carolina, South Carolina, and Virginia. The regional office of both these organizations is in Raleigh, N.C.

There are 319,663 cotton allotment farms in the defined area. There are 774,654 in the Cotton Belt as a whole. These are 1963 USDA-ASCA figures. Therefore, my statement to you is broadly representative of 41.3 percent of the cotton allotment farms in the United States of America.

I appreciate the opportunity of making a statement to this distinguished committee today. It is made in respect to H.R. 8149. In view of the fact that there are several proposed amendments to existing cotton legislation in it I will take them one by one for comment and to express viewpoints generally held in the area which I represent.

**I. PROPOSED AMENDMENT TO SECTION 342 OF THE 1938 ACT RE REDUCTION
IN THE NATIONAL ACREAGE ALLOTMENT**

The proposed amendment in this portion of H.R. 8149 would make permanent law. It would set the national minimum allotment at 14 million acres instead of the present 16 million. This is distasteful to all cotton producers. It had been hoped up to recent days that a statement of feeling from the area I represent could be in favor of maintaining the 16-million-acre national allotment. This is not possible now. It is evident that the present severe cotton situation demands an adjustment in the supply of cotton. It cannot be accomplished by any single adjustment program. Therefore, I speak in favor of a temporary reduction in the national allotment. I speak in opposition to such a reduction made permanent law.

It is urged upon this committee that the proposed reduction in the national allotment be limited to 2 years, with automatic reversion at the end of that time to a 16-million-acre national allotment, unless

Congress takes further action to extend the reduction. It is hoped that such action would be unnecessary.

It is believed that such a temporary adjustment in the national allotment, coupled with an aggressive cotton export program to move raw cotton stocks held by CCC into foreign channels of trade will make it unnecessary to continue a reduction in the national allotment for a period longer than the duration of this proposed legislation.

Mr. Chairman, in this respect there is one important thing to be said. As has been stated before this committee on many occasions in the past several years, the minimum history acreage provision contained in section 344(f)(1) of the 1938 act, which provides that:

Insofar as such acreage is available, there shall be allotted the smaller of the following: (A) 10 acres; or (B) the acreage allotment established for the farm for the 1958 crop,

is extraordinarily damaging in a most inequitable way to all growers who have allotments in excess of 10 acres in all Cotton Belt States. This is due to the fact that this national requirement is made a State responsibility. I implore this committee that in the event a cut in the national allotment for a 2-year period is made into law that language be included which will do either one of two things to maintain equity to all cotton growers:

(1) Make the minimum acreage provision a national allotment responsibility; or

(2) Set aside the requirements for this minimum history acreage provision contained in section 344(f)(1) of the 1938 act.

Minimum production protection to the small bona fide grower was contained in the 1964 act. It is recommended later in this statement in proposed extension of that act.

II. PROPOSED AMENDMENT TO SECTION 348 OF THE 1938 ACT RE REMOVAL OF WORDS "OTHER THAN PRODUCERS," AND RE A ONE-PRICE COTTON PROGRAM

This proposal in H.R. 8149 means a direct payment would go to cotton growers who sell their cotton in the marketplace without cycling it through CCC. It is well known to all members of this committee that this was a serious battleground in passage of the 1964 act in respect to cotton. The battle continued for months after final enactment of it.

The same reasons for opposition to a direct payment are still pertinent within the ranks of cotton growers. These reasons are: (1) unwillingness to change when no advantage is seen in doing so; (2) fear of failure of Congress to appropriate funds necessary to make any direct payment authorized by the Congress.

I would like to mention to you an alarming new reason for fear of this approach to maintenance of cotton grower income. It is a fear that is beginning to saturate small cotton allotment holders in the family farm area which I represent to you today.

As you know there has been formed in our Nation a so-called committee for a free market for cotton. A free market for cotton means a program which abolishes the time-honored procedure of maintaining a nonrecourse CCC loan for cotton growers. Although it can be immediately said that H.R. 8149 does provide a loan program on cot-

ton, it can also be said in quick rebuttal to this viewpoint that the provision of a direct payment program in any form is a step in a direction of abolishment of the nonrecourse CCC loan procedure.

I would like to provide this committee data which will indicate the tragic results of a totally free market for cotton in which a cotton-grower would receive a specified cash payment per pound—shall we say 10 cents per pound—and be left with his bale of cotton to derive the major portion of his income from it when and if he could find a market. It is to be noted in this exhibit that as of May 5, 1965, there were 5,657,001 bales outstanding. This is roughly in excess of one-third of the total crop in 1964. State-by-State breakdowns are in this table. Let me herewith refer to it and make pertinent comments.

I now refer you to exhibit No. 1. It is a table that I have pulled together. You will notice here that the percent of the 1964 crop which is outstanding as of May 5 is in the right-hand column. In most States there is a sizable amount of the crop still in the loan. In North Carolina it is 51.8 percent; in Texas 43.3 percent; in Mississippi it is 48.8 percent. You can see what the percentages are for the others. I think this will indicate the danger of a program which does not contain a Commodity Credit Corporation nonrecourse loan program for the farmer.

I am sure the distinguished members of this committee can quickly see the pathetic situation which would have resulted in 1964 within the cotton-producing segment of this industry had the CCC nonrecourse loan program not been available to the multitudes of cotton-growers who have not yet found a market in the channels of trade.

It is for this special reason, Mr. Chairman, that a direct payment to growers is generally opposed in my area. It is urgently requested that such a procedure not be included in cotton legislation which is enacted by the 89th Congress.

It is also notable in this section of H.R. 8149 that no change is recommended in the one-price system for cotton which makes raw cotton produced in the United States available to domestic manufacturers of cotton at the same price as our U.S. export price. This is a very valuable and highly desirable program. It is one which should be continued. I do not propose any change in it as a general principle, and as a long-range program.

However, in the interest of a sound cotton program affecting cotton producers I do feel it needs to be pointed out that this mechanism is believed to have contributed to the sluggishness of our export market.

A 2-year adjustment—and only 2-year adjustment—in this particular provision would be most helpful in moving some of the present carryover into foreign markets without materially increasing the cost of the Federal program for cotton. I am perfectly aware that such an adjustment probably could not, and be made without agreement from—and let me add in here without complete agreement—the top level spokesman of the cotton manufacturing industry. It could be done by amending section 348 of the Agricultural Adjustment Act of 1938 as amended by adding the following additional proviso at the end of the last sentence:

Provided further that in no event shall payments under this section for the period August 1, 1966, through July 31, 1968, be made at a rate in excess of the highest rate applicable for the period prior to August 1, 1966.

This language was prepared by request in the Office of the General Council of the U.S. Department of Agriculture.

This proviso would hold the domestic equalization payment at no less than the highest paid under the 1964 act. It would, however, allow for 2 years the payment of an export rate in excess of that amount of domestic equalization payment. It would greatly stimulate a desperately needed increase in export sales. It is my measured judgment that the critical situation we now face at grower level warrants consideration of such action.

III. Proposed amendment to section 103, subsection (b), of the 1949 act, re liberalizing the domestic allotment payment.

This proposal in the bill which we are considering would provide a domestic allotment payment up to 25 percent above the basic support price which the Secretary may establish. He is currently allowed to increase it up to 15 percent.

A basic viewpoint of the White House, the Bureau of the Budget, and the U.S. Department of Agriculture for the past several months has been that the cost of the cotton program must be reduced. This is a prime reason for the agony through which we are now going in the production segment of the cotton industry.

Assuming that the Secretary had authority to increase the domestic allotment payment to the extent proposed in this bill, he could, at a 29 cent base support price, increase it to 7.25 cents. It is 4.35 cents for 1965. This could not be done without increasing the cost of the cotton program sharply. It stands to reason that, as surely as the night follows the day, he would be forced to reduce the base support price to cottongrowers to the statutory minimum.

The statutory minimum permissible to the Secretary in setting the cotton price support is 65 percent of parity. Parity as of April 15 is 41.66 cents. The floor permissible to the Secretary in setting cotton price support is therefore 27.07 cents.

Cotton growers during the past 2 years have felt the base support price of cotton lowered from 32.47 to 29 cents. This represents a \$17.50 a bale reduction in income to them. In many areas of the cotton belt growers are already in serious financial difficulties at the 29 cent support price level. Forcing the Secretary to reduce it to 27 cents per pound would certainly wreck havoc all across the cotton belt except in a few favored locations.

Therefore, it is strongly urged that this committee carefully rethink the consequences of this particular proposal. It is an invitation to chaos in the agriculture of cotton.

IV. Proposed amendment to section 103, subsection (b) of the 1948 act. Re payment of domestic allotment on 15 acres or less without planting requirement.

This is a soil bank proposal in pernicious form. It is a deadly provision to a major area of the cotton belt which contains not only the 319,663 cotton allotment farms which are in the area I represent, but an additional 150,000 or more in other sections of the cotton belt which have situations identical to those in the area for which I speak.

This provision would in a widespread way provide a Government handout to multitudes of "hobby" farms owned by professional and business people in large and small urban centers. It would provide the same to industrial professionals and craftsmen who are in the cate-

gory of suburban dwellers. These people live on inherited land where there is some cotton history dating back to the days of a father or grandfather who actually farmed it, or on land purchased for easy suburban living.

It would mortally damage the cotton acreage release and reapportionment program in 12 States in the cotton belt wherein, in whole or in part, the assets of abandoned and unwanted cotton history acreage has strengthened cotton farm families. It has made, and is making, for these bona fide farm people the difference between solvency and bankruptcy in their farming operations.

I have made this statement previously to this committee and to top level people in the U.S. Department of Agriculture. From some there has been a question as to the validity of it. In order to substantiate it I requested in recent days through the facilities of State agricultural extension services or State agricultural stabilization and conservices an analysis of its validity. In exhibit 2a and 2b is a prepared digest of the answers to key questions pertinent to the statements made above. I invite your attention to them.

I now refer you to exhibit 2a and 2b. Exhibit 2a has to do with the answers to the question: "To what extent does released cotton allotment acreage come from land owned by 'hobby' farmers, that is, urban, professional people, and from farms owned by people working, preferably, in industry, who are properly in the category of suburban dwellers?"

And there are nine counties represented here of which four are from North Carolina and five from Alabama, and it is to be noted that here, for example, in "a," Montgomery County, N.C., that it is practically 100 percent.

In Talladega County, Ala., the answer is, "Most of this cotton (released acreage) is on farms owned by professional people and by people working principally in industry who have bought farms in suburban areas.

I hope this committee will look carefully at this exhibit 2a.

Exhibit 2b, the answer to the question "To what extent does such released acreage, when reapportioned, strengthen bona fide family farms and provide the margin of difference necessary to maintain their farming operations and move toward efficiency in their operation, with particular reference to mechanization of it?"

First, Nash County, N.C.: "The release and reapportionment program has done more to promote interest in cotton than any cotton effort in many years." I will not read all of these. I will just pick out a few.

Robeson County, N.C.: "85 to 90 percent of the released cotton acreage goes to family-operated farms."

Elmore County, Ala.: "Approximately 98 percent of cotton acreage reapportioned was used to strengthen bona fide family farms. All of these farms, with the exception of one, are operated family-farmer units."

The answer to me, Mr. Chairman, seems to be quite clear.

It is safe to project the viewpoint in these exhibits to all or a majority of the cotton-producing counties of Georgia, South Carolina, Florida, Virginia, Mississippi, Louisiana, Arkansas, Oklahoma, and Texas, with a large number in Tennessee included.

It is my belief that it is a sincere intention of the President of the United States and the Secretary of Agriculture and most members of this distinguished committee to strengthen the family farms of this Nation as both an economic and sociological asset to it. I believe the typical answers which we have reviewed in these exhibits substantiate my statement that the release and reapportionment program for cotton acreage is both an equitable program and one which decidedly strengthens the family farm in America. I am certain they show that a soil bank on cotton history allotment acreage will not provide income to bona fide farm families. On the contrary it would take income from them.

It needs to be further pointed out that a cotton production program needs to be maintained in the humid rain-grown area which I represent. There are two reasons for this: (1) The cotton manufacturing plant of the United States is principally centered in this area. In time of national peril it is important that production of cotton fiber needed by the Nation be on a dispersal basis near the cotton manufacturing plant and in a condition capable of quick expansion. (2) There is another reason. The obliteration of cotton production in this area by a long-range soil bank would put intense pressure on other agricultural enterprises such as soybeans in particular, hogs and beef cattle, feed grains, and truck crops such as potatoes. This area should be forced to shift into these enterprises. It is naturally capable of tremendous expansion in their direction.

At this point we must come back to the fact that adjustments must be made in the cotton situation at least for a 2-year period. It is not necessary that they be made in a way that would be destructive to any area in particular, especially the areas which contain almost two-thirds of the cotton allotment farms in the United States. For the life of this bill there would be merit as a temporary expedient in removal of the present protection given to the 15-acre-or-less grower to obtain the domestic allotment payment without reducing his acreage. I am aware this is a highly desirable provision for the area from which I come.

However, I believe people in my area are willing to make a fair share of the adjustment. A maximum share for them would be to: lower the small farmer protective feature to the first 10 acres or less of effective allotment; provide a 10-percent domestic allotment payment for reduction of planting by 35 percent above the base support price for those who have effective allotments of more than 10 acres; give the 10-acre-or-less allotment holder the choice of receiving a domestic allotment payment of 10 percent above the base support price without reducing his planting of effective allotment, or 20 percent of the base support price if he reduces his planting by the 35 percent required in the domestic allotment acreage program. In each case planting would be required. There would be no payment for not planting the full allotment, may I add here, to clarify this. In this way bona fide cotton farmers would be voluntarily making the determination to correct the situation, not "hobby farmers" and industrial craftsmen.

With a reduction in the national allotment, this modification in the domestic allotment program and stepped-up exports, the adjustment needed in the cotton situation could be accomplished within the next 2 years without disruption of the cotton economy of any area of the

cotton belt. It certainly could be done without resorting to the deadly soil bank program contained in H.R. 8149 as now written.

V. PROPOSED AMENDMENT TO SECTION 103, SUBSECTION (C) OF THE 1949 ACT, RE PROVISION FOR A SNAPBACK TO THE PRESENT PROGRAM IN THE EVENT FUNDS FOR PROPOSED DIRECT PAYMENT ARE NOT FORTHCOMING

Heretofore in this statement strong opposition has been expressed to a payment program on cotton production going directly to the grower other than a domestic allotment payment. Presuming that provision will be removed from H.R. 8149, there will be no need for the proposed amendment to section 103, subsection (c) in the 1949 act.

Mr. Chairman, I appreciate the opportunity to make this statement before your distinguished committee on behalf of an area containing over 40 percent of the cotton farm allotments in the United States, and saturated with “blue denim” folks on active bona fide farms on which cotton production is a major, if not sole, means of livelihood.

(Exhibit 1, exhibit 2-A, and exhibit 2-B follow :)

EXHIBIT 1

Summary of USDA report on 1964 cotton loan program as of May 5, 1965. Issued by USDA-ASCS from New Orleans that date to reflect bales by States which (1) went into CCC, and (2) outstanding on that date. Percentages of total 1964 crop outstanding on that date have been added in the office of the North Carolina Cotton Promotion Association, and Uplands Cotton Growers, Inc. :

State	Total loans	Outstanding loans	Percent out-standing
Alabama.....	\$394,322	\$388,418	43.4
Arizona.....	226,079	101,990	12.7
Arkansas.....	554,916	485,932	30.8
California.....	561,206	279,140	15.2
Florida.....	4,708	4,705	28.9
Georgia.....	492,765	490,057	79.0
Louisiana.....	207,311	192,555	32.4
Mississippi.....	1,491,650	1,093,317	48.8
Missouri.....	28,282	26,307	6.4
New Mexico.....	92,458	60,118	23.4
North Carolina.....	205,969	196,925	51.8
Oklahoma.....	158,499	93,753	32.7
South Carolina.....	338,241	337,008	61.3
Tennessee.....	206,915	165,188	24.5
Texas.....	2,339,032	1,785,134	43.3
Virginia.....	6,095	5,937	43.7
Other States.....	5,003	3,034	-----
In process.....	10,880	10,880	-----
Unallocated repayments.....	0	(63,397)	-----
Total.....	7,324,331	5,657,001	-----

Source: U.S. Department of Agriculture, Agricultural Stabilization and Conservation Service, May 24, 1965.

EXHIBIT 2A

Answers to questionnaire from representative counties by Agricultural Extension Service (ExS) and Agricultural Stabilization and Conservation Service (ASCS) staffs, re importance of release and reapportionment of cotton acreage to bona fide cotton farm families.

QUESTION

To what extent does released cotton allotment acreage come from land owned by “hobby” farmers—that is, urban professional people, and from farms owned by people working, preferably, in industry who are properly in the category of suburban dwellers?

ANSWERS

(a) Lincoln County, N.C. Of the 449 farmers, releasing the cotton, we estimate that 70 percent of them would be classed as "hobby" farmers. ExS.

(b) Johnston County, N.C. I find that approximately 30 percent of those releasing acreage are working off the farm. ExS.

(c) Rowan County, N.C. Approximately 50 to 60 percent. ExS.

(d) Montgomery County, N.C. Practically 100 percent. ExS.

(e) Marengo County, Ala. It is estimated that of the 243 farms releasing 3,048 acres in 1965, 120 farms are owned by "hobby farmers" and people working in industry. ASCS.

(f) Talladega County, Ala. Most of this cotton (released acreage) is on farms owned by professional people and by people working principally in industry who have bought farms in suburban areas. ASCS.

(g) Franklin County, Ala. There are few farms operated as a hobby but a considerable number operated by persons working in industry and not dependent on farming for a livelihood. Many of these consistently released their cotton acreage allotment. ASCS.

(h) Elmore County, Ala. Of the released acreage, 65 percent came from hobby farms or from farms where the farm operator is employed in surrounding towns or is otherwise not dependent upon income from the farm for a livelihood. ASCS.

(i) Escambia County, Ala. and Geneva County Ala, report at least 40 percent of cotton acreage released comes from "hobby farms," and/or landowners who do not depend on the farm for their livelihood. ASCS.

EXHIBIT 2B

Answers to questionnaire defined in 2a continued:

QUESTION

To what extent does such released acreage, when reapportioned, strengthen bona fide family farms and provide the margin of difference necessary to maintain their farming operations and move toward efficiency in their operation, with particular reference to mechanization of it?

ANSWERS

(a) Nash County, N.C. The release and reapportionment program has done more to promote interest in cotton than any cotton effort in many years. This interest has been with real bone fide producers. The efficiency in producing cotton created by the program has been responsible for this renewed interest. Income from cotton is important (in Nash County). ExS.

(b) Lincoln County, N.C. All farmers, asking for and receiving the reapportioned acreage, were bona fide family farmers. The additional acreage received by most of these farmers provided the margin of difference of being able to maintain their farming operation and move toward efficiency. ExS.

(c) Robeson County, N.C. Of the released cotton acreage 85 to 90 percent goes to family operated farms. Released cotton acreage is vitally important to this type of farming operation. ExS.

(d) Montgomery County, N.C. The release and reapportionment program has been very important to family-sized farms. In a big majority of cases these farmers could not maintain their farming operation without this cotton acreage. ExS.

(e) Elmore County, Ala. Approximately 98 percent of cotton acreage reapportioned was used to strengthen bona fide family farms. All of these farms, with the exception of one, are operated as family farm units. ASCS.

(f) Escambia County, Ala. The acreage that has been released and reapportioned to other farmers in the county has meant the difference in success or failure on these farms over the past 3 years. ASCS.

(g) Geneva County, Ala. Of the reapportioned cotton in Geneva County 65 percent goes to family-type farms where the reapportioned cotton acreage makes the difference between a profit and a loss. ASCS.

(h) Marengo County, Ala. Considerable acreage is reapportioned each year to tenant-operated farms. With the additional acreage many of these tenants could not provide their families with necessities. ASCS.

(i) Talladega County, Ala. The cotton allotment acreage release program provides our farmers with the margin of difference to maintain our present family farming operations. ASCS

The CHAIRMAN. Thank you very much, Mr. Heidelberg. This is a very fine statement of your position.

Let us go off the record.

(Discussion off the record.)

The CHAIRMAN. I understand that Mr. Terry Julian, executive director of Rolling Plains Cotton Growers, Inc., desires to file his statement for the record. And without objection, that may be done.

(The prepared statement of Terry Julian follows:)

STATEMENT OF TERRY JULIAN, EXECUTIVE DIRECTOR OF ROLLING PLAINS COTTON GROWERS, INC.

The Rolling Plains Cotton Growers, Inc., is not attempting to formulate cotton legislation for the Department of Agriculture, but we are presenting what we believe are essential guidelines for progress for our 21,000 cotton producers.

The Rolling Plains Cotton Growers, Inc. is acting as an organization to voice the necessity to maintain an adequate farm income for the existing agricultural economy of this Nation. The only practical approach to the farm problem is to continue programs which will make it possible for the present 3.5 million farmers to earn a living on the farm. Present price supports, adequate credit, continued research and other costcutting technical assistance must be continued if agriculture is to maintain its place in the Nation's economy. If the American consumer is to continue to enjoy his bountiful supply of food and fiber, he must be informed of the total value of cotton with regard to its many uses and materials.

The prices that farmers receive for what they sell are lower now than in 1950. Americans are paying 63 percent more for medical services, 52 percent more for professional services, and 38 percent more for transportation while our farmers are receiving 15 percent less for their products than they did 15 years ago. What if the farmer were charging 63, or 52, or even 38 percent more for food and fiber? We would all be eating less and at the same time, would be shifting money now being spent for the products of factories and for services into food and fiber. Rather than the consumer-taxpayer subsidizing the farmer, the contrary is true.

The Secretary of Agriculture has pointed out that fewer than 400,000 farmers earn a parity of income, or income equal to the wages of skilled labor, while on the other hand, 2.5 million farmers do not earn the minimum wage. These facts mean that farm income is very inadequate as only 1 farmer out of 10 earns close to a parity of income.

Farmers throughout the Nation can no longer be expected to take the brunt of every cut in price and land-planting reduction. Squeezing farmers out of the country and into the city areas will bring more unemployment, unskilled workers and greater burdens on the taxpaying public.

As originally conceived and presented, the Agricultural Act of 1964 was designed as a 4-year program. It was recognized that time would be required to reverse the market loss to manmade fibers and through an effective sales program as outlined in the Export Sales Act of 1956 to bring the carryover of cotton down to a manageable level. Instead of a 4-year program, however, the bill was amended to limit its life to 2 years.

The stimulus of competitive prices in the domestic market through an in-kind-equalization payment made in the channels of trade, the loss of domestic markets has been checked and reversed. The domestic consumption of cotton will increase almost 1 million bales over last year. The program has restored confidence in the future of the cotton industry and has helped to meet competition of foreign imports. The program has made possible an increase in textile wages, reductions in prices for cotton yarns and expansion in investments for modernization and expansion programs by the U.S. textile industry.

Export sales are far below the level they should be, and must be to maintain a healthy cotton economy. It is imperative that immediate steps be taken to carry out and insure effective administration of the export sales program as provided for in section 203 of the Agricultural Act of 1956.

In keeping with the best interests of the Rolling Plains cotton producers and the continued progress of the cotton industry, we urge consideration of the following objectives:

1. Maintain at least the 16-million-acre minimum national allotment.

Cotton acreage in this country has been reduced from 28 million acres in 1953 to 16 million acres in 1965. The cotton producers have been called on repeatedly to make the supply adjustment for the entire world. At the same time, foreign production has been encouraged by various U.S. economic development and foreign aid programs. Further reductions at this time in the national cotton allotment would be quickly reflected in an expansion of production abroad and would represent a wasted effort by U.S. cotton farmers. The 16-million-acre national allotment represents the minimum acreage necessary for the achievement of efficiency on cotton farms throughout the United States.

2. Continuation of the Agricultural Act of 1964 for at least 2 more years with modification of the domestic allotment section to achieve the objective of reducing cotton production on a voluntary basis. Liberalizing incentive payments of the domestic allotment section will provide cotton with its own cropland adjustment opportunities. This can and must be done without a reduction in the present 29-cent loan level for reasons given later in point No. 4.

3. Continued recognition that export markets are essential for U.S. cotton and that action be taken to regain a fair share of world markets as provided under section 203 of the Agricultural Act of 1956.

To achieve this:

(A) The Commodity Credit Corporation should be required to establish a specific goal of not less than 7 million bales per year.

(B) Flexible features in sales programs should be initiated with safeguards against forcing a high proportion of current crop cotton into the loan and eventual takeover by the Commodity Credit Corporation.

The results would be broadened markets, a substantial recovery of funds now tied up in cotton to increase dollar earnings abroad, insulation against further buildup of cotton production in foreign producing countries, and reductions in carrying costs to the Government.

4. We oppose any further reduction in the Commodity Credit Corporation loan level for cotton. Farmers have already sustained a \$17.35 per bale cut in income within the past 2 marketing years. Increases in costs of items that farmers must buy to make a crop and higher costs for labor caused by termination of Public Law 78, and the competition for workers from rural industries make it impossible for farmers to absorb further cuts at this time.

5. We oppose the substitution of direct payments to cotton farmers as basic income supports in lieu of nonrecourse Commodity Credit Corporation loans, however, incentive payments to encourage participation in voluntary provisions of the domestic allotment choice program are workable and encouraged.

6. We urge full implementation of the cotton research section of the Agricultural Act of 1964 to reduce production costs and improve cotton quality. We further urge the U.S. Department of Agriculture to encourage farmers to utilize research findings to accomplish these purposes.

7. Finally, we violently oppose any change in the present skip-row planting measurement as it will be discriminating against the Rolling Plains farmers who have been using this cultural practice for years. If we are to continue with the Great Society, we must be allowed to maintain our present skip-row plantings. The agricultural communities will disintegrate because the farmers will be gone to town, eating off the unemployment lines and presenting a major burden on society.

Thank you for the opportunity to present the views of 21,000 interested and concerned farmers throughout the Rolling Plains of Texas.

The CHAIRMAN. If there are any others who want to file statements, you may do so.

Senator BILL NICHOLS of Sylacauga, Ala. I understand that with your permission I may have Mr. Maynard Layman read my statement tomorrow.

The CHAIRMAN. You may. That will be fine. We are very glad to have you here, Mr. Layman.

With this, we will recess now to resume tomorrow morning at 10 o'clock.

(Whereupon, at 12:15 p.m. the committee adjourned to reconvene at 10 a.m., Thursday, June 3, 1965.)

COTTON

THURSDAY, JUNE 3, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., room 1301, Longworth House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman of the committee) presiding.

Present: Representatives Cooley, Poage, Gathings, Abernethy, Watkins, Jones, Hagen, Stubblefield, Olson, O'Neal, Stalbaum, Vigorito, Redlin, Greigg, Callan, Dague, Belcher, Teague of California, Quie, and Burton.

Also present: Mrs. Christine S. Gallagher, clerk, and Mr. Hyde H. Murray, assistant clerk.

The CHAIRMAN. The committee will be in order, please.

Yesterday Senator Nichols was supposed to appear and he had to leave town so he has given his assignment to Maynard Layman.

Mr. Layman, we will be very glad to hear you now.

STATEMENT OF STATE SENATOR BILL NICHOLS, CHAIRMAN, ALABAMA LEGISLATIVE COTTON STUDY COMMITTEE; PRESENTED BY MAYNARD LAYMAN

Mr. LAYMAN. Mr. Chairman and gentlemen of the committee, Bill Nichols is chairing a committee hearing on redistricting and congressional seats in Alabama and regrets very much that he could not be here today.

The CHAIRMAN. That is also an important assignment.

Mr. LAYMAN. Mr. Chairman, if he were here, he would read this statement. [Reading:]

Mr. Chairman and gentlemen of the committee, my name is Bill Nichols from Sylacauga, Ala. I grow a small acreage of cotton and am associated with a small, independent agri-business which has done business with Alabama cotton farmers for more than 60 years, dealing in fertilizer, ginning, cotton warehousing, and other facets of the cotton crop. As a member of the Alabama Senate, I am presently serving as chairman of the Alabama Legislative Cotton Study Committee, a committee authorized by the 1957 Alabama Legislature to study the problems of cotton producers in my State.

First, Mr. Chairman, may I say it has been my privilege to appear before your committee on previous occasions in the interest of cotton legislation, and I wish to especially commend the distinguished chairman of this committee, the Honorable Harold Cooley, in behalf of his longtime interest in those of us who produce cotton in this country. Under his able leadership, the present

cotton bill was enacted, and, to a large part, through his untiring efforts, we now have a bill which affords the mills of this country the opportunity to purchase cotton at the same price at which the foreign mills can purchase it, and this feature alone has accounted for consumption of almost an additional million bales of cotton through domestic usage—so I salute you, sir, for the farsighted interest you have repeatedly exemplified in behalf of cotton farmers of this Nation. As we approach the end of the present bill and look to new ways and means to strengthen the overall cotton program, we again look to you to provide the necessary leadership to write and enact a cotton bill for the immediate years ahead.

If I correctly interpret the intent of the sponsor, it would appear that it is his intention to continue the basic guidelines of the present Cooley cotton bill, but with certain revisions intended to reduce the overall cost of the cotton program by some \$400 million annually. The first of these changes would be to permit the Secretary to reduce the minimum national acreage allotment, now set at 16 million acres, to provide a national acreage allotment for each year of the life of this bill, which could, at the Secretary's discretion, be set as low as 14 million acres. Certainly, this provision is not a pleasant one to think upon. Alabama farmers, like farmers of every other section of the country, are caught in a terrific price squeeze, and, in the face of accepting a price reduction of an additional \$5 per bale for the 1965 crop, it is most discouraging to contemplate a further reduction of individual allotments. At the same time, Mr. Chairman and gentlemen of the committee, all of us must face up to the problem confronting us, in view of the anticipated carryover on August 1, which could approach 14 million bales in storage, coupled with the fact that the combined domestic offtake, though up almost a million bales from that of a year ago, is insufficient to balance out the further loss we are taking in world exports. As a matter of fact, it is simply that we are producing more cotton on the 16 million acres than we are getting rid of. The Department, as well as all segments of the cotton industry, is fully aware that somewhere along the line, unless the present consumption trend is materially increased, there is no alternative but to reduce production. Mr. Chairman, I submit that if, in the judgment of the Department, this reduction is indeed necessary, and I believe it is quite apparent to most of us that this is the case, that the only fair, just, and equitable way to achieve this reduction in production is through an across-the-board reduction. As much as we in Alabama would regret this course of action, but again trying to be realistic, we will live with this provision of House bill 8149.

In the matter of equalization payments and to whom they shall be paid, the present law stipulates that such payments be made to persons "other than producers." I know of no particular argument among Alabama producers on this point, and apparently the present system of permitting equalization payments to be made to persons other than the producers is working out satisfactorily. At the same time, I think most Alabama producers could support the portion of this bill permitting these payments to be made directly to the farmer. So, Mr. Chairman, I feel this section of the bill would encounter no particular opposition from Alabama cotton farmers.

The participation in the domestic allotment plan in my State has been some less than we had anticipated. Out of approximately 900,000 acres available for planting to cotton in my State this year, the domestic allotment program reduced planting only some 52,000 acres, or less than 6 percent. I cannot say why the participation was not larger, other than to say that most farmers I talked with felt that because they had the necessary land, tractors, etc., they would go for their full acreage rather than reduce by one-third and receive the 4.35 cents per pound subsidy. Mr. Chairman, I believe that in increasing the amount of this additional support from 15 percent to 25 percent above the announced price support, that this added inducement should result in considerably more participation in my area of the country, and if the present price support level is retained at somewhere near the 29-cent figure, I predict that a great deal of cotton, perhaps double or even triple the present acres, will be retired under this program in my State.

With these preliminary remarks and with the assurance, Mr. Chairman, that we come here this morning before your committee in the interest of being a strong proponent of a good cotton bill, I must point out to you and your committee that section of the bill that we in Alabama would find most objectionable and one which we beg of you to reconsider. I speak, of course, of that provision in House bill 8149 which would permit the payment of the domestic allotment on farms where the allotment is 15 acres or less regardless of whether the cotton acreage is planted. Mr. Chairman, this, of course, is, as we all recognize, no more nor no less than another soil bank. For all practical purposes, it is identical to the soil bank initiated in 1957 and which reached its full measure of destruction to the farm economy in the 1958 year. In that year, out of Alabama's allotment of 1 million acres, only 540,000 acres were planted to cotton. The remaining acres were permitted to grow up in sassafras, saw brier, and honeysuckles, and many cotton farms went out of production that year which never produced cotton again. If this provision is retained in the bill, it will of necessity draw opposition from many segments of cotton production in my State. It will be most objectionable to our ginner, many of whom have spent thousands of dollars in new machinery to improve the quality of cotton at the gin point. It will likewise be objectionable to the cottonseed crushers, farm equipment people, fertilizer manufacturers, and other related agri-businesses—but the real hardship in my State and other States from the Carolinas through Texas would be that such a soil bank would completely do away with the release and transfer program. There is absolutely no question in my mind as to what will happen to these acres—they will not be released and neither will they be planted but will remain idle and go out of production, making no contribution whatever to the economy of cotton in my State.

I submit that we ought to say away from the policy of paying a man for not growing cotton. This is not the American way and, in my judgment, would be poorly received by the taxpayer. In my State we have about 90,000 cotton allotments—75,000 of these are farms with 15 acres and less and approximately 15,000 of these farms have allotments in excess of 15 acres. Now, let's take a look at who is actually growing cotton in my State. The man who is actually producing the crop and who will be growing the crop in the years ahead is in his thirties or early forties, and he is far from being a 15-acre man. Rather, he is farming a minimum of 100 acres of cotton, including his own allotment plus that of a neighbor which he rents, plus some acres he receives through the release and transfer program. These are not bonus acres for my State, neither are they unwanted acres, but they represent our proportionate share of the national allotment. They belong to Alabama just as they belong to North and South Carolina, Georgia, Mississippi, and Texas. Historically, these acres rightfully belong to the cotton economy of my State. Gentlemen, we are dependent on the release and transfer program. It is the lifeblood of our vibrant cotton production. Release and transfer was the predicate upon which hundreds of cotton-picker notes were signed. It is the one vehicle providing the necessary cotton acres to keep our farm boys and girls in college. It is the premise upon which new gin equipment was purchased, new bulk blending fertilizer plants and liquid nitrogen tanks installed. Release and transfer has provided the single ray of hope in an otherwise depressing cotton picture in my State, but, gentlemen of the committee, you kill it—for all practical purposes it is dead and non-existent under a soil bank provision.

Alabama lost almost half of its cotton acres in the 1958 soil bank, and I am just as positive that another soil bank will absolutely destroy the cotton economy of my State as I am that the sun will go down tonight. So, I beg of you, I beseech you to remove this soil bank provision of House bill 8149, because I don't believe there is a man on this committee who would wish to see this happen to cotton farmers in my State or in any other State so dependent on this program.

SUGGESTIONS

(a) *Export emphasis.*—We cannot maintain a healthy cotton program in this country with only domestic consumption. Additional emphasis must be given to recouping our share of the export market, and I commend this committee for your questioning of the Department as to why we have been dilatory in disposing of American cotton under laws which have been enacted for almost a decade. It seems to me that additional flexibility in our sales program should be explored to the end that we will again move some 6 or 7 million bales into the foreign market. Increasing our exports would do more than just move cotton. It would materially reduce the cost to the Government in storage charges and should tend to discourage further buildup in foreign production. This is a must, and I hope you gentlemen will insist that a concentrated effort be made by both the Department of Agriculture and the State Department to materially expand our sales program and reduce the stocks of cotton now in storage.

(b) *The direct-payment plan.*—We suggest further that consideration be given to legislation patterned along some type of direct-payment plan similar to the plan advocated some years back by Congressman Pogue and later by Congressman Gathings and our own Senators Sparkman and Hill. There would seem to be considerable merit in supporting that portion of the domestic consumption of the crop, which is approximately 10 million bales, at a figure near parity and to allocate to each producer, based on his previous production, his proportionate part of the American consumption. This would mean individual farm allotments in pounds or bales of approximately ten-fifteenths or 66 percent of each farmer's previous production, but this production would be supported at near parity prices. There could be a limit placed on additional acres which a farmer might wish to grow at world prices. This is no more than taking a page from the administration wheat program and is similar to what I understand was agreed upon by the Wheat and Feed Grain Subcommittee of the House Committee on Agriculture last week. In making such a proposal it seems to me that we would be treating the American cotton farmer equally as well as we treat other contributors of this Nation's economy. Certainly the American farmer is entitled to American prices on American consumption, and I offer no apologies nor are any such apologies necessary in asking equal treatment for the cotton farmers of this country.

Cotton information

State	1938 allotment 1,000 acres	Percent	1943 allotment, 1,000 acres	Percent	1950 allotment, 1,000 acres	Percent	1951 planted acres ¹	Percent	1952 planted acres ¹	Percent	1953 planted acres ¹	Percent
Alabama	2,245.9	8.17	2,248.9	8.27	1,619.9	7.52	1,499	5.32	1,591	5.85	1,630	6.46
Arizona	2,197.6		2,194.2		2,247.6	1.15	2,576	2.04	1,678	2.49	2,693	2.75
Arkansas	2,391.4	8.70	2,298.3	8.45	1,965.9	9.12	2,211	7.84	1,956	7.19	2,112	8.37
California	402.5	1.46	399.8	.47	645.9	3.00	1,315	4.66	1,393	5.12	1,348	5.34
Florida	83.6		82.8		42.6		63		61		72	
Georgia	2,171.9	7.90	2,212.4	8.13	1,399.5	6.49	1,424	5.05	1,470	5.41	13,82	5.47
Illinois	5.4		6.2		5.0		3.9		2.4		2.4	
Kansas	1.0		.7		.1		(²)		(²)		(²)	
Kentucky	19.0		19.6		13.9		949	3.37	899	3.31	967	3.83
Louisiana	1,247.3	4.54	1,240.3	4.56	875.7	4.06			(²)		(²)	
Maryland												
Mississippi	2,670.6	9.71	2,680.3	9.85	2,306.5	10.70	2,463	8.74	2,440	8.98	2,554	10.12
Missouri	388.1	1.41	416.7	1.53	488.4	2.30	616	2.18	520	1.91	561	2.22
Nevada					.1		1.3		1.8		2.3	
New Mexico	112.1		119.6		178.6		313	1.11	305	1.12	323	1.28
North Carolina	999.5	3.64	982.9	3.61	748.8	3.11	711	2.52	753	2.77	782	3.10
Oklahoma	2,286.6	8.32	2,192.8	8.06	1,257.2	5.83	1,571	5.57	1,308	4.81	1,068	4.23
South Carolina	1,371.1	4.99	1,347.6	4.95	1,081.1	5.02	1,106	3.92	1,149	4.23	1,181	4.68
Tennessee	821.8	2.99	807.4	2.97	746.0	3.46	826	2.93	866	3.19	958	3.79
Texas	10,019.6	36.44	9,897.0	36.38	7,900.2	36.65	12,513	44.38	11,756	43.24	9,568	37.90
Virginia	57.5		56.0		30.9		21		26		30	
United States	27,492.5		27,203.5		21,553.9		28,195.3		27,185.5		25,244.1	

COTTON

State	1954 allotment, 1,000 acres	Percent	1955 allotment	Percent	1956 allotment	Percent	1958 allotment	Percent	1963 allotment	Percent
Alabama	1,346,401	6.30	1,101,804	6.08	1,025,141	5.89	1,035,463	5.90	972,239	5.98
Arizona	413,820	1.94	333,933	1.84	343,640	1.98	367,572	2.09	331,738	2.04
Arkansas	1,847,036	8.64	1,529,704	8.45	1,424,511	8.19	1,411,984	8.04	1,321,954	8.14
California	936,408	4.38	778,686	4.30	782,405	4.50	812,487	4.63	738,871	4.55
Florida	44,116		36,283		36,974		38,662		37,171	
Georgia	1,188,894	5.56	950,818	5.25	903,221	5.19	905,387	5.16	843,382	5.19
Illinois	4,000		3,056		3,110		3,171		2,935	
Kansas	80		35		29		24		23	
Kentucky	10,799		8,374		7,799		7,775		7,306	
Louisiana	750,436	3.51	648,442	3.58	610,891	3.51	609,922	3.47	568,383	3.50
Maryland					25		15		14	
Mississippi	2,079,833	9.73	1,750,852	9.67	1,646,562	9.47	1,660,110	9.46	1,546,299	9.52
Missouri	462,617	2.16	399,627	2.21	378,055	2.17	377,819	2.15	354,911	2.18
Nevada	2,289		2,324		2,324		3,343		3,522	
New Mexico	218,942	1.02	182,194	1.06	179,378	1.04	184,247	1.05	171,430	1.05
North Carolina	624,831	2.92	515,714	2.85	483,932	2.78	494,083	2.81	466,445	2.87
Oklahoma	1,098,283	5.14	872,532	4.82	845,616	4.86	827,162	4.71	757,866	4.66
South Carolina	929,030	4.35	773,945	4.27	726,193	4.18	739,957	4.22	690,499	4.25
Tennessee	680,683	3.18	593,868	3.28	563,491	3.24	532,523	3.32	548,352	3.37
Texas	8,719,178	40.78	7,612,779	42.03	7,410,893	42.61	7,474,661	42.58	6,869,104	42.27
Virginia	21,682		18,238		17,114		18,161		17,558	
United States	21,379,358		18,113,208		17,391,304		17,554,528		16,250,000	

1 Planted acreage for the years 1951, 1952, and 1953 expressed in units of 1,000 acres.

2 Less than 50 acres.

Allotments for above years include acreage allotment from all sources, i.e., Late Legislation National Reserve.

Over the last few months a great deal of emphasis has been placed on eliminating poverty, and I am told on good authority that 20 percent of those families engaged in agriculture are showing a gross income of \$3,000 a year or less, which places them in the poverty class. I suggest that much of the reason why one out of every five of our farm people lives in poverty is because the American farmer has failed to receive his proportionate share in the American economy for the sale of American products he grows. This is not to say that the farm people expect any special consideration, but it seems only fair that they be treated in the same manner as other segments of this country's economy. I believe we could do more to eliminate poverty by assuring American farmers of a fair return for their products than by any other proposal I have heard on this subject.

Regardless of what type approach the cotton program takes, it seems to me that we should keep foremost in our minds that it lend assistance to the bona fide farmers now growing cotton and who are in it as the main source of income to feed and clothe their families. The income of these people, above all other groups of the industry, must be protected. Cotton farmers in my area feel that this administration is committed to this end, and I think it would be a serious mistake if we break this commitment by failing to meet this responsibility. In general, it is my thinking that our farmers will accept most any type cotton program, that is to say a direct-payment program, a domestic support program, a loan program, or otherwise as long as it maintains or strengthens farm income and so long as it provides sufficient acreage for the operation of an economical farm unit.

Mr. Chairman, if Senator Nichols were here, he would give me permission to make a personal statement. For the last six congressional terms, cotton folks from Alabama have come to this committee to talk over the problems of cotton in Alabama. This is our first appearance without the aid and counsel of our own George Grant. The first group we brought from Alabama were farmers who were making their first trip to Washington. No member of this group had ever attended a hearing of the committee of the House. Under such conditions we remember well the kindness shown to our group by your chairman, Congressman Cooley, of North Carolina, the counsel of Congressman Poage of Texas, the understanding of Congressman Gathings of Arkansas, and the aid of the Congressman Abernethy of Mississippi.

The pleasure we had in knowing Members like our cotton ambassador from Maine, Congressman Cliff McIntire and our adviser on cotton production from Brooklyn, Congressman Anfusio.

The first statement made by our Alabama group years ago was to the effect that our people have confidence in the ability and the integrity of the Members of Congress. Today after 12 years, we remember your kindness as well and our appreciation of you as gentlemen has deepened through the years.

Alabama says thanks.

The CHAIRMAN. Mr. Layman, I want to thank you for presenting this statement. I want to congratulate Senator Nichols for having prepared the statement. I especially regret he could not be here in person.

The situation described in this statement reminds me of my own situation in North Carolina because I think it is a fair presentation. I did want to tell you, and through you, Senator Nichols that this figure of 15 acres I put in the bill was purely arbitrary. It is subject to change, of course. This committee can knock it out entirely. The people in my State, a lot of them, want it knocked out entirely.

I would like to turn to your suggestion about trying to bring about a reduction in production and it just occurred to me by paying these little fellows—of course a 15-acre man is not a little man in my State

and I guess the average down there is probably less than 5 acres, somewhere around that—just pay them to surrender that acreage for a couple of years and go out of business.

I cannot see that in some situations, perhaps in Alabama and North Carolina, that it will affect ginner and others, fertilizer people and insecticide people and other people in these farming communities so dependent on cotton. That figure can be changed or certainly eliminated. I know that the surrender and reapportionment program is important in many areas. I wonder if we could change that and make the payment on one-half. Let a man surrender as he now surrenders but on condition he surrender all and be paid on one-half. What would you think of that?

Mr. LAYMAN. Mr. Chairman, if I understood the feeling of Senator Nichols and his group, I am sure that they would accept that with pleasure. Inadvertently, sir, I got scared when I got up here and failed to tell you that I should have prefaced my remarks before you and the committee to the effect that Senator Nichols had instructed me to use your language the other day when you said that the Alabama group is not wedded to any one particular thing. We realize that—

The CHAIRMAN. I think this statement clearly indicates to us Senator Nichols has a problem in Alabama. It is a well prepared statement.

On the other question of reducing acreage from 16 to 14 million acres, I sincerely believe we must do something. I do not see how we can possibly continue a program which results in adding a million bales of cotton to the surplus every year. I just wanted to leave that thought with you, convey it to him. I am not wedded entirely to all of these provisions. I felt we should do something to get the show on the road, to start considering legislation pertaining to cotton.

Mr. LAYMAN. We want to thank you from Alabama for the position that you have taken, Mr. Chairman. I will be delighted to convey your message to Senator Nichols. Thank you.

The CHAIRMAN. Thank you very much.

Mr. JONES. Mr. Chairman?

The CHAIRMAN. Yes, sir.

Mr. JONES. Did I understand you to say, your suggestion—I know it is not a firm commitment—but where they would release their acres they would be paid for half of it? Did you intend also that only half of the acreage would be reallocated?

The CHAIRMAN. No; I had not gone that far.

Mr. JONES. May I ask Mr. Layman a question?

The CHAIRMAN. Yes.

Mr. JONES. Mr. Layman, on page 2 of your statement, where you state that the only fair, just, and equitable way to achieve this reduction in production is through an across-the-board reduction, would it not be fair that those who received additional acres last year and this year through release and reapportionment, that they be reduced so that their acreage this year, and next year, would not exceed the acreage they had last year minus the reduction that we take in the national reduction? Would that not be fair?

Mr. LAYMAN. Mr. Jones, I understand perfectly well the position that some sections of the cotton producing area take on that. It is a

technicality that if I would express my own personal preference, we in Alabama would like to not have that cut.

On the other hand, if it would be the judgment of your committee after you discuss it and it is their feeling we would accept it.

Mr. JONES. The only thing I asked your opinion about is what is fair. If some areas would be forced to take a reduction because there is no release and reallocation, why would not the other districts take the same proportionate reduction in the acres they plant the year before?

Mr. LAYMAN. In your hand, I hope, sir, is some additional material that Senator Nichols prepared. It is the history of the cotton allotments from 1938 to 1963.

If you will look at the top line of that document you will see in 1938 Alabama ahead of 8.17 percent of the national cotton allotment. In 1963, we had 5.98. If you will follow that across the chart on some other States—I think you have a preference I would not like to suggest what States you follow across—I think you will see a trend there that is one of the factors that causes us concern in Alabama.

Mr. JONES. Was that not brought about by the fact that even with release and reapportionment that some of these States could not find anybody to plant the acres that were released? More than half of the counties that grow cotton, they had cotton released which they did not want to plant in their county and which was released to the State and in many instances went from low producing areas to high producing areas?

Mr. LAYMAN. The latter part, I am sure is true. The facts in the other part I am not sure are.

The CHAIRMAN. That was not the situation in Alabama because you had demands for cotton acreage far in excess of the cotton produced.

Mr. LAYMAN. Mr. Congressman, in that connection I think it would be fair if I might make this statement for you, sir: The ginner and the crushers in all segments of the cotton industry work very diligently to get all that release. I only know of one, the figures in one county. The county that adjoins me requested 9,000 acres of released and reapportioned cotton and they only got I think 300 acres from the State. So there is in one sense a great demand for cotton acreage.

Mr. JONES. Thank you, Mr. Layman.

Mr. HAGEN. One question.

The CHAIRMAN. Sure.

Mr. HAGEN. Mr. Layman, I want to say you are one of the finest men I ever met.

Do you endorse all of the statements of Mr. Nichols?

Mr. LAYMAN. I think that the Cotton Study Committee, of which I am not a member, ex officio member, is similar to the Agriculture Committee of the House. There are differences of opinion.

Mr. HAGEN. I would like to have you comment on two inconsistencies in Mr. Nichols' statement.

On page 3 he endorsed the principle of paying farmers reducing acreage. In fact, he endorses an increase in this payment from 15, to 25 percent above the support price. Yet on page 4 he says, "I submit that we ought to stay away from the policy of paying a man for not growing cotton."

How do you reconcile those two positions?

Mr. LAYMAN. Mr. Congressman, I feel a little ill at ease in trying to rationalize anything from the distinguished Senator. I can do that in my own mind but if it would satisfy you I do not know. The intent of the thinking behind the Senator's position there, I think, was this: We in Alabama recognize that there must be some reduction and some adjustment in the cotton program. We just feel like sooner or later it is inevitable. One of the means that they felt would be at least worth discussing would be the increase of the percentage received on the domestic allotments in the hope that that would take some additional acres out of production.

The second part, if I remember, sir, was the one of not paying for producing on acreage. I think two things there. First, our people are a little reluctant to feel that they would accept something for doing nothing. The other thing is that if that was made possible it gets back to your release and reapportionment program.

Mr. HAGEN. It seems to me it is obviously and grossly inconsistent to support a payment for a partial reduction and not support a payment for a total reduction of production.

Mr. LAYMAN. I grant you there may be some inconsistencies. I think our people are human and they are inconsistent and that is their wish in this thing.

Mr. HAGEN. Further, he supports the principle of reducing the national acreage allotment. Yet at the same time he supports release and reapportionment which he admits increases planting. It is my recollection that it results annually in the planting of about 2.5 million unneeded acres with yields above those farms from which the acreage was released. This is a national scandal.

Mr. LAYMAN. Again, I am sure that there is some difficulty there. In Senator Nichols' mind, there is no question behind that. He can reconcile them, both of them, in his own philosophy.

Mr. HAGEN. I do not see how he can. He has destroyed his own arguments against retirement payments and for release and reapportionment.

The CHAIRMAN. We thank you very much, Mr. Layman.

Mr. LAYMAN. Thank you, sir.

The CHAIRMAN. The next witness is Mr. Benjamin Schwartz, of New York, of the Textile Dealers Association of America, Inc. I admonish the members to be brief in questions.

**STATEMENT OF BENJAMIN SCHWARTZ, NEW YORK CITY, ON
BEHALF OF THE TEXTILE DEALERS ASSOCIATION OF AMERICA,
INC.**

Mr. SCHWARTZ. My name is Benjamin Schwartz. I represent the Textile Dealers Association of America, Inc.

Considering the pressure of these hearings I would like the privilege of making a very brief oral statement covering our problem for your consideration, to be followed by a written statement, if you will grant me that permission.

The CHAIRMAN. Yes.

Mr. SCHWARTZ. Thank you very much.

STATEMENT BY BENJAMIN SCHWARTZ, EXECUTIVE CONSULTANT OF TEXTILE
DEALERS ASSOCIATION OF AMERICA, INC.

I wish at the outset to thank the chairman for the privilege extended to me of making an oral presentation of our position on H.R. 8149, and for the courtesy of filing this written memorandum subsequent thereto.

I speak in behalf of independent wholesale exporters of textiles, in the form of piece goods, remnants and pound goods, who play an important part in the final distribution of the end products made possible by the cotton farmer.

Until 2 years ago, under the cotton products export program, the beginnings of a growing and flourishing business in textile exports was made possible, under a sliding scale of incentive payments, the chief purpose of which was intended to equalize the American cotton price with the lower world market price, and thereby encourage and develop foreign trade in textiles.

After the passage of the Agricultural Act of the 1964, the cotton products export program was discontinued, and in lieu thereof it was intended that the "one price cotton" subsidy paid to the mills would accomplish two desirable objectives, one of which would enable the mills to pass on the subsidy to the export trade, to meet the competition of lower world market cotton prices.

We regret to report that no part of this subsidy was passed on to the independent wholesale exporters, through a reduction in the price for piece goods and remnants which the exporter was required to pay to the mill; as a matter of fact, the price for many types of textiles was increased.

This sharply reduced the volume of business of this important branch of the industry and began to destroy the base of a flourishing export business. The situation can be dramatized by the following summary figures:

In 1963, the last full year for the export equalization payments, the independent textile export industry shipped out to 40 countries a total of 30 million pounds of cotton remnants (equivalent to 120 million square yards). In 1964, without the benefit of any equalization incentive, for the last half of the year, the total dropped 25 percent to 225 million pounds of remnants (or 90 million square yards) shipped to 17 countries only. Projected against the official figures for the first quarter of 1965, the trend for the current year indicates a total export of approximately 13 million pounds, a further loss of 40 percent from last year (or a loss of 56 percent from the 1963 total under the export equalization payment program).

In addition to the remnants category (under 10 yards) the wholesale export jobbers also handle a substantial share of exports of piece goods (over 10 yards) in seconds and first quality grades, conservatively estimated for 1963 under the export equalization payments at 100 million square yards. Added to the above, synthetic textiles and pound goods (under one yard) which grades were not under incentive payment, accounted in 1963 for approximately 60 million square yards exported to most of the 40 nations that comprised our market for piece goods and remnants. All of this business has dropped sharply to below 50 percent, based on current year projections.

Thus, we are dealing with an industry that in 1963 exported a total of approximately 280 million yards of textiles, with a total value of \$75 million, whose business has declined to the danger point of less than 50 percent; an industry whose potential, under a restored incentive program, could exceed more than \$100 million, and recapture and develop many of the 40 countries that had been served in 1963.

In studying H.R. 8149 now before your committee, we may agree in principle with the one-price cotton formula, but in practice it will make no difference to the independent wholesale exporter whether the grower or the mill get the subsidy. The effect on our branch of the textile industry will be to aggravate the economic danger to the exporter, unless an incentive or equalization program is adopted, as heretofore, to put us in a position to compete in export markets with foreign textile producers and exporters, who have the benefit of the lower world price of cotton, and lower labor costs.

As additional justification for our petition, permit us to cite three basic facts which we believe are consistent with national policies approved by Congress.

1. EXPORT EXPANSION

Since it is congressional policy to encourage and expand exports, we respectfully urge that the services of an industry that devotes its full time to the export of textiles, should not be overlooked as a major instrumentality in expanding

the export objective. This industry has made, and can continue to make with appropriate incentives, a substantial contribution to the solution of the balance-of-payments deficit. It is our conviction that for every equalization dollar extended to our industry, we will bring back \$10 and more, through the export business developed.

2. SMALL BUSINESS

If it is congressional policy to encourage and protect small business in our national economy, we point out that the independent textile exporters are all small business, by any congressional or departmental definition, and are entitled to consideration in the formulation of any basic cotton policy. If the downward trend, indicated above, continues, many of approximately 250 firms in this export industry will go out of business; it is hoped that the legislative goal will be to keep the thousands of employees of these firms continuously at their tasks, because their knowledge and specialized export experience cannot be quickly or easily replaced, once released.

3. COMMUNIST COMPETITION

If it is congressional policy to help win friends for the United States, we call attention to the unparalleled instrumentality available in our industry, to meet the commercial challenge of Iron Curtain countries. The emerging and the underdeveloped countries are the best markets for textile remnants and seconds, in addition to first-quality piece goods. The Communist countries pay a great deal of attention to these areas, especially Asia and Africa, using textiles for propaganda purposes, (because these goods are intimate to the people whose backs are covered with the end products of the textiles), and for political purposes (by securing foreign exchange to develop programs against us).

It should be pointed out that the U.S. textile mills are mainly "domestically oriented"; their export departments, entirely incidental to the domestic volume, are not interested in this type of export challenge. Only the independent textile exporter has devoted his full time, and is experienced, in continuing this function. The potential awaiting the independent exporter, is represented by the difference between the 40 countries that were covered by our industry in 1963 (when the export subsidy for textiles was in effect), and the 17 countries that were left in 1964 (after the export subsidy was discontinued).

With a reasonable export equalization formula to compete with the world market price and to cover part of the extra costs of developing export business, the independent American exporters have the capacity to regain and enlarge these markets, and the experience to meet the challenge of the "iron country" competitors.

The justification for equalizing the extra costs in developing export markets, is based on general recognition that it costs more to handle foreign trade than domestic business. These extra costs include personnel with experience in foreign languages and trade customs; extensive travel expenses; shipping samples by air mail; increasing ocean freight, and other hidden costs. It may be recalled that this situation was recognized officially during the price schedules of OPA history, when an extra allowance of 8 percent was permitted to cover the extra costs of developing a foreign order.

We need encouragement not only to survive, but to develop as useful instrumentalities in expanding foreign trade, in contributing substantial millions of dollars to the balance-of-payments deficit, and in meeting the challenge of Communist competition.

We therefore ask your cooperation and expertise to develop a fair export incentive formula. We urge you respectfully not to overlook the constructive potential which we represent in our national economic and political policies. We are ready to work with you and your staff to accomplish these purposes, by supplying a committee of industry experts.

Mr. SCHWARTZ. Our group comprises exporters of piece goods, remnants, and what are called pound goods in the textile industry and they play a very important part, as figures will demonstrate in the written brief to be filed, they play a very important part in the distribution of textiles that the farmer makes possible through the raw material.

Up to the act last year of the one-price cotton subsidy paid to the mills, there was a sliding scale of subsidies or incentive payments to exporters of textiles, including those that I am trying to represent. With the passage of the one-price cotton bill, the subsidy which was granted to the mills, no part of it was passed on to those who distribute the goods that I described. The net result was that the volume of business fell sharply in this segment of the export market and with the current bill under discussion, whether it is paid to the farmer or to the mill, the situation will be aggravated for our branch of the industry and our services as distributors with disastrous results.

We therefore ask that consideration be given to the restoration of approximately the sliding scale of export subsidies or equalization payments or anything approximating that the expertise that is in your committee and in your staff can develop.

I would like briefly to cite three substantial reasons for our petition, each of these reasons conforming to what I believe to be policy, national policy approved by the Congress.

First, if it is still true that our goal is to bring about an expansion of exports, then our service in that direction should not be overlooked and should be utilized because we will bring back a very substantial contribution to the balance-of-payments problem.

If it is still policy to protect and further the interests of the small businessman in this country, then the textile exporters I refer to by definition comprise small businessmen who are facing the danger, without regard to where the cotton subsidy is passed, many of whom will go out of business.

If it is also policy to gain friends for the United States, our people have specialized in selling textiles in underdeveloped countries which are trying to raise their standards of living, have had experience in meeting the challenge of Iron Curtain countries who with the benefit of world market prices of used piece goods and remnants and pound goods with a very special propaganda value because these goods go on the backs of natives and are very close to them.

We are practically out of that picture under the present situation. The large mills with their export departments, which are secondary entirely in their operations, do not develop these kinds of markets. We do.

If you will arm us and make us competitive with world markets, we should not be overlooked as an instrumentality in making "friends," in quotation marks, against the Iron Curtain country merchants in areas where we have and should have a continuing special interest.

This is my brief presentation of our problem which will be supplemented by the written statement and we hope some consideration and study will be given to it.

The CHAIRMAN. Thank you very much, Mr. Schwartz. Your statement will be placed in the record.

I want to ask you one question.

I was under the impression that this year had been the best year that the textile industry ever had in all history.

Mr. SCHWARTZ. Not with this segment of the industry. The volume has fallen very sharply because we were not put in the position of competing with the world market situation.

The CHAIRMAN. The whole purpose of the bill was to eliminate the inequity and make our domestic mills more competitive with foreign mills. I agree with you that all the benefits that we visualized might go to the consumer have not gone to the consumer. The fact remains that some of these contracts are supposed to be in existence based upon a certain dollar value and it all could change overnight. Has not your business increased in the current year?

Mr. SCHWARTZ. Not the business of exporting piece goods, remnants, and pound goods, Mr. Chairman. The benefit intended for the one-price cotton subsidy paid to the mills was intended, of course, as far as the consumer in the United States was concerned, to lower prices with which I am not concerned. It was also intended to increase the export potential. This has not happened. It is a subject of very open study.

Mr. STUBBLEFIELD. Mr. Chairman?

The CHAIRMAN. Yes.

Mr. STUBBLEFIELD. I would like to ask a question. Do you process these goods yourself or do you buy them from the mills?

Mr. SCHWARTZ. Our members buy them from the mills.

The CHAIRMAN. They have not increased their prices, have they?

Mr. SCHWARTZ. In some grades they have. It is a very mixed up situation but there has been no benefit passed on to our industry so that we could develop the export markets and meet world market prices.

The CHAIRMAN. Of course, the manufacturer has no control over the retail prices. He just manufactures and sells to the wholesaler.

Mr. SCHWARTZ. We are wholesaler distributors, getting our goods from the mills. We are not retail distributors.

The CHAIRMAN. You have paid more than you would have paid?

Mr. SCHWARTZ. In many respects.

The CHAIRMAN. Thanks very much, Mr. Schwartz. We will be glad to receive your statement and consider it.

Mr. SCHWARTZ. Thank you.

The CHAIRMAN. I now call Mr. Robert McCallum. I understand that Mr. F. Marion Rhodes has filed a statement for Mr. McCallum.

Mr. RHODES. Mr. McCallum has had to return to Memphis and would like to have his statement filed. As part of his statement we have circulated a document put out by the committee which we think gives you a short analysis of what the cotton situation is.

The CHAIRMAN. File his statement for the record.

(The statement follows:)

STATEMENT OF ROBERT F. MCCALLUM ON BEHALF OF THE COMMITTEE FOR A FREE COTTON MARKET, INC.

My name is Robert F. McCallum. I am executive vice president of Geo. H. McFadden & Bro. Co., of Memphis, Tenn. I am appearing here today on behalf of the Committee for a Free Cotton Market, Inc., of which I am a director.

The Committee for a Free Cotton Market, Inc., came into being early this year and it has over 2,000 members representing all segments of the cotton business.

I will make my statement very brief today. There has been distributed to you, as part of my statement, a pamphlet which has just been published by the committee which sets out in, we hope, readable and graphic fashion, the story of cotton—the problems, the cause and the cure. I hope that members of this committee will find this pamphlet helpful in the course of their deliberations on cotton legislation.

In brief summary, this pamphlet points out the deteriorating situation in the cotton economy of the United States which reflects the loss of markets for American cotton at home and abroad. This is a matter which concerns everyone in the cotton economy of the United States and indeed all Americans. We point out that the loss of markets for cotton is due to one basic factor: the unrealistic pricing and marketing of cotton due to the type of Government program which has been in effect for so many years. The villain is the above-market loan which has drawn cotton into inventory instead of moving it into the marketplace to be priced and sold competitively with manmade fibers and foreign growths.

The solution which we develop in this pamphlet emerges clearly from the analysis. Cotton will not improve its position until and unless it is made competitive. This can only be done by letting the price-market mechanism work free from price fixing by Government fiat, thus permitting and encouraging cotton to move from the producer into the marketplace to the consumer. The solution which we propose is familiar to this committee for, among others, the Secretary of Agriculture has advanced it as the preferred solution to the cotton problem. It is the fixing of a producer loan substantially below the market price and the maintenance of producer income through direct rather than indirect means; that is, through payments directly to producers.

Let me say with deep conviction and utmost sincerity that our proposal is not one that is inspired by partisan self-interest. We have been in the cotton business for a long time and we like to think that we are close students of the cotton economy. Our experience and study convince us of the truth of the following proposition: all segments of the cotton economy stand or fall together. Over time, there is no way that anyone in the cotton economy can survive unless American cotton prospers, that is to say, unless there is a ready market demand for American cotton on the part of consumers, both domestic and foreign. This is an elementary truth and what we seek for cotton we believe is in the interest of all elements of the cotton economy.

Surely the producer cannot enjoy any prosperity or even a fair return for his labor and investment unless his cotton can be marketed. Of course, in the short run, the producer's income could be sustained through Government programs and his cotton move into Government storage. But 30 years' experience has proven this to be self-defeating and untenable. Inventories build up, Government costs skyrocket and there emerges great pressure for reducing the cost of the Government program and for cutting back acreage. We see this pressure today and we will see it again tomorrow if we don't come up with a sound program.

The American cotton textile mill is the principal consumer for American cotton. In the parlance of the military, the mills have "options"—they don't have to buy cotton; they can substitute man-made fibers as they already have. But the mills do have an interest in buying cotton at world market prices and at prices which are competitive with man-made fibers.

The American Government and the American taxpayer must clearly be considered as well. They are not willing—nor should they be willing—to continue a program that is costly and self-defeating. I am sure that they would be willing to bear the costs of a program which are necessary to maintain producers' incomes because the welfare of the total American economy cannot be separated from the welfare of the agricultural sector. But they have a right to expect that those costs produce beneficial results and that there be benefits to both the taxpayer and the American Government accruing from the program.

Among the benefits which the American Government can reasonably expect is that, through competitive cotton, we are able to maintain and expand our dollar sales of cotton abroad. Certainly at a time when every effort is being made to improve the U.S. balance of payments, we can hardly forego the benefits to our balance of payments which would derive from the expansion of cotton exports. And we cannot expand cotton exports unless we let the market system operate and price cotton competitively so that foreign mills can exercise their "options" and choose American cotton in preference to foreign growths.

The export situation is particularly disturbing and our concern is compounded by the suggestion in some quarters that we can afford to forego the export market. This is certainly the implication that one has to draw from the proposal that we maintain the present program or a variant of it. I have just returned from Europe a few days ago where I had an opportunity to survey the market

situation for American cotton. One clear conclusion emerges from my discussions and studies. It is that we alone are responsible for the deterioration in our export position. For, unlike the situation with respect to certain other agricultural exports which this committee is very familiar with, we are not faced with import restrictions on American cotton in Western Europe. If we have been losing out in sales to this most important dollar market it is entirely due to our own Government program which has priced American cotton out of that market and has made us the residual supplier to the world. As foreign growths continue to expand under the umbrella of price protection afforded by our Government programs, the very nature of our role as residual supplier indicates that our export sales will continue to decline. Unfortunately, unless it is stopped, a projection of present trends shows that we will lose our entire export market in less than a decade. Aside from all the other benefits that would flow from the kind of cotton program which we have proposed, the advantages to our export position alone would, we believe, be sufficient reason for the adoption of these proposals.

The CHAIRMAN. We will now hear from Mr. Darwin Prince, of Lubbock, Tex.

Mr. Prince, how long will this take?

Mr. PRINCE. Four minutes, Mr. Cooley.

The CHAIRMAN. I will give you five.

STATEMENT OF DARWIN PRINCE, ON BEHALF OF LUBBOCK COTTON EXCHANGE

Mr. PRINCE. My name is D. C. Prince, of 1004 14th Street, Lubbock, Tex. I am a cotton merchant engaged in the buying and selling of raw lint cotton. I am appearing here today on behalf of the Lubbock Cotton Exchange. The Lubbock area which I represent produces some 2 million bales of cotton annually, or approximately half the Texas production. In the preceding season 60 percent of our production went into the loan and remained there. In the season just closed some 70 percent of the crop again went into the loan and is still there.

The purpose of this statement is to point out the failures of past cotton programs, and to suggest a solution. In this presentation I have the concurrence not only of my own Lubbock Cotton Exchange members, but of virtually all members of the cotton merchandising trade, of many producers and several producer organizations, of ginner, oil mills, warehousemen, many businessmen and individuals outside the field of cotton, and even some 50 or 60 Members of this Congress from whom I have heard and read expressions of support. Likewise, we concur in the program advocated here yesterday by the American Cotton Shippers Association.

Past programs have brought on our present huge surplus, have reduced domestic acreage, lost many of cotton's export markets, encouraged foreign production, reduced farm income and engendered staggering Government costs. Cotton is threatened with extinction as an export commodity, and domestically has not been allowed full participation in the splendid economic conditions of the past decade. The programs of the past seem to have pleased no one at all.

My associates and I recommend to this committee and to Congress a direct subsidy to the producer with no limitations. This subsidy should be of sufficient size to maintain farm income comparable with what 1965 supports provide, and large enough to enable cotton to compete with synthetics and foreign production.

We who want a change believe this can be accomplished at a reduced Government cost simply because the farmer now is not getting the benefit of full cost of present and past programs. Storage costs, Government losses on cotton sales and administrative costs certainly don't benefit the farmer. Even a \$50 per bale direct subsidy on all current production would cost less than what we are told the present program is costing. As a further economy measure, paying the subsidy on only the domestic portion of the allotment would reduce the cost further.

We are the only cotton-producing Nation with a surplus. The world consumes three times the amount of cotton we produce. A free market, and it can be brought about with the direct subsidy, will move every bale we can produce.

Further reduced acreage allotments is not the answer. In the past few years, remarkable progress has been made in the field of technology, chemicals, and mechanization, all aimed at more efficient production at a reduced cost. We now have chemical fertilizers, effective insecticides, amazing new herbicides for weed and grass control, and mechanical harvesting now gathers some three-fourths of the crop. In some 20 years, the per-acre yield has increased from 239 pounds to over 500 pounds. Research continues its unending search for other economies and efficiencies. Promotion and advertising of cotton have made many millions of Americans, Europeans and others cotton conscious and created new demands. Further acreage reductions will deny cotton producers the benefit of these advances in science, technology and public acceptance.

We in cotton do not understand why cotton has been singled out for special damaging treatment in the form of high rigid supports in the form of a nonrecourse loan. Wheat, feed grains, corn, tobacco, and wool now face none of the problems of cotton and these commodities are supported by some form of direct subsidy. Their producers accept the direct subsidy with no great objections. Farmers and ranchers who produce them don't have to come to Washington every 2 or 3 years to fight for survival. They apparently gladly accept the subsidies and give their full time to producing and marketing their product and the world is using it. We believe cotton can benefit from a similar treatment or program.

With a direct subsidy payable to the producer only when his cotton is sold and based on pounds produced, we feel that no loan would be necessary. However, if this change seems too harsh, then the only loan should be around the world market price, as recommended by Secretary Freeman and Under Secretary Murphy.

For over 30 years all cotton support programs have been patterned to protect and increase the farmer's income, with no apparent thought of the consequences. We believe this thinking was right as regards the farmer's income, but the methods used to achieve this goal have brought on many of our present problems in cotton. The direct subsidy will maintain income and not create the other problems.

We know nothing comparable with cotton for producing foreign exchange and a favorable balance-of-payments position. We agree heartily with the remarks of the Honorable Hale Boggs of Louisiana made March 2, 1965, in the House of Representatives. Also, in Mr. Boggs' remarks he quoted from Vice President Humphrey on several

phases of the problems we have discussed here today. We recommend consideration of these remarks by this committee.

I thank you, gentlemen, for your attention to this presentation.

The CHAIRMAN. Thank you very much.

Mr. HAGEN. Sixty percent is a rather high figure for cotton in the loan for Government take over. How do you account for that?

Mr. PRINCE. That is the exact figure in our area, Mr. Hagen. Unfortunately mother nature does not provide us the means to produce the splendid qualities in cotton of California and Texas, but the loan and the supports are the same, with a few freight differences because of geography. We must admit our cotton in many instances is not equal to that other cotton.

Mr. GATHINGS. Mr. Prince, you come from quite a large cotton-growing area.

Mr. PRINCE. That is right.

Mr. GATHINGS. You have given us some information today which is enlightening, indeed.

You tell us that you approve of the plan, or else the program that the Under Secretary brought before us, and that is to knock out the loan completely and give the farmer no protection whatever, or else give him solely and exclusively a loan based on the world price. Is that what you are telling us?

Mr. PRINCE. Yes; because I wanted to have some flexibility there, Mr. Gathings.

Mr. GATHINGS. All at once, overnight, recommending to this committee, whatever this document is, recommending overnight to completely knock out the loan from under the farmer. How can he operate? You will break not only Lubbock and that area but the whole Cotton Belt.

Mr. PRINCE. I gave an alternative, Mr. Gathings, and that is a good question. If that seems too harsh then we think as a softening measure perhaps a support at or around world prices. Those are the figures used in the other statements.

Mr. GATHINGS. Yes, and the farmer would lose some 10 or 11 cents a pound overnight in his support level?

Mr. PRINCE. We cannot predict the future of cotton, Mr. Gathings. We hope that would not happen, but the cotton market can go two ways, up and down.

Mr. GATHINGS. The gentleman next to me here, Mr. Poage, just said you would pay him the difference. You would offer the world support price and a check for the difference.

Mr. PRINCE. Something like that, yes, sir, either in the form of a direct subsidy—

Mr. GATHINGS. You are not for any limitation, then?

Mr. PRINCE. No, sir, but we realize that in order for a proper adjustment of this program some limitations on acreage will have to be made.

Mr. GATHINGS. Most of the farmers are more than 15-acre farmers.

Mr. PRINCE. Our farmers are commercial farmers who want to raise cotton. They are not interested—they don't want to get hurt. We join with them in urging that no limitation be put on a man because he has accumulated 300 acres or 500 acres or a thousand acres.

The CHAIRMAN. What will you do with the 14 million bales?

Mr. PRINCE. There was a fine suggestion made here yesterday on that Mr. Cooley. We endorse that.

The CHAIRMAN. For 5 years?

Mr. PRINCE. There should be flexibility. If a domestic emergency arises provision should be made for release.

The CHAIRMAN. Otherwise——

Mr. PRINCE. To dump it would disrupt——

The CHAIRMAN. There would be 14 million bales locked up in warehouses for 5 years.

Mr. PRINCE. That was not suggested yesterday by the American Cotton Shippers Association.

The CHAIRMAN. Lock it up, he said.

Mr. PRINCE. He wanted to insulate it, and then there was an alternative. He suggested how 1 million bales could be sold and suggested a price, and how a second million could be sold, and a price, and then a third million, with the suggestion that some provision be made, or a loophole provided whereby the cotton could be released if an emergency arose.

The CHAIRMAN. Thank you very much, sir.

Mr. GATHINGS. You said you believe a man ought to be able to grow cotton even if he has a 100-acre allotment or 500-acre allotment or a 1,000-acre allotment.

Mr. PRINCE. Yes, sir.

Mr. GATHINGS. I agree. What if a man had a 500-acre allotment and his payment would be some \$50,000, or thereabouts, and had a limitation of \$20,000 or \$25,000, or \$40,000. How could he stay in business and pay the heavy price he now has to pay for his equipment and how can he operate and pay heavy taxes and salaries? How can he operate at all on that farm?

Mr. PRINCE. In addition to his \$50 a bale subsidy, certainly he would be able to sell his cotton at some figure.

In further answer to your question, Mr. Gathings——

Mr. GATHINGS. The support came down from 32.47, and now down to 29 cents. There are the losses in supports in 2 years time.

Mr. PRINCE. If anyone survives that man with 400 and 500 acres can survive because he can produce it cheaper per pound than anyone else.

The CHAIRMAN. How about North Carolina?

Mr. PRINCE. There is an alternate plan for them.

The CHAIRMAN. What is that?

Mr. PRINCE. It is more of a relief or welfare program, and we have no comment on that.

The CHAIRMAN. Thank you very much.

We next have the American Farm Bureau Federation, with three witnesses. We have Mr. DeVaney, Mr. Grant, and Mr. Hays.

Mr. HAGEN. I would like to introduce Mr. Grant, a constituent of mine. He is a farmer himself, Mr. Chairman.

The CHAIRMAN. I will introduce Mr. Hays, president, Alabama Farm Bureau.

STATEMENT OF C. H. DeVANEY, PRESIDENT, TEXAS FARM BUREAU; ACCOMPANIED BY ALLAN GRANT, PRESIDENT, CALIFORNIA FARM BUREAU FEDERATION; AND J. D. HAYS, PRESIDENT, ALABAMA FARM BUREAU FEDERATION

Mr. DeVANEY. I am Mr. DeVaney, president of the Texas Farm Bureau.

I would like to ask Mr. Lynn to sit here with us for some cross-examination.

We appreciate the opportunity to appear before this committee to review some of the serious problems confronting cotton producers and the entire cotton industry. We would like to comment briefly on the current situation facing the cotton industry and some of the causes. We then would like to review the current cotton program as well as the proposal outlined in H.R. 8149 and to suggest a different approach to the problem as contained in H.R. 3025, H.R. 2855, and H.R. 3319.

You are all aware of the fact that Farm Bureau has a membership of over 1,647,000 member families in 49 States and Puerto Rico. Membership in the 18 major cotton-producing States has been growing steadily for several years and at the end of 1964 totaled 789,616 member families.

COTTON'S TROUBLES CONTINUE

A review of the cotton situation shows the cotton problem has grown progressively worse since the basic philosophy of the Agricultural Act of 1958 was abandoned in 1961. Since that time cotton consumption has declined, production has continued to increase despite a cut in allotments of more than a million acres, carryover has shot upward from 7.4 million bales to an estimated 13.4 million on August 1, this year, manmade fiber consumption has continued to eat away cotton markets, the cost of the cotton program has grown higher and higher, and farm income from the sale of cotton has weakened materially.

APPRAISAL OF THE RESULTS OF THE 1964 EMERGENCY COTTON LAW

It is now evident that the present law has failed to fulfill the claims made for it at the time of its passage by Congress last year. We recall that its proponents indicated that under the program consumption of cotton would increase, cost to the U.S. taxpayer would decline, consumer prices of cotton goods would be lowered, the upward trend in manmade fiber use would be halted, and farm income from cotton would be maintained.

As we now review what actually happened after a year of experience with the program, we find:

- (1) Cotton consumption did increase domestically but much less than the increase shown by manmade fibers. Cotton's share of the fiber market actually dropped by more than a full percentage point;
- (2) Cotton exports this marketing year are now estimated to be down by a fifth from last year and indications are that the drop will be even greater;

(3) Cost of the program ran up to more than \$800 million, far exceeding the cost of the previous program;

(4) Prices of cotton cloth did not decline; in fact, the average price of 20 cloth constructions was 63.89 cents in April 1965 compared to 61.83 cents in April 1964;

(5) Mill margins in April 1965, as reported for 20 major cloth constructions, averaged 36.49 cents compared to 26.19 cents in April 1964; and

(6) The combined value to farmers of cotton and cottonseed from the 1964 crop totaled \$2,546 million, or more than 8 percent less than the value of \$2,784 million from the 1963 crop. Yet the 1964 crop was equally as large as the 1963 crop.

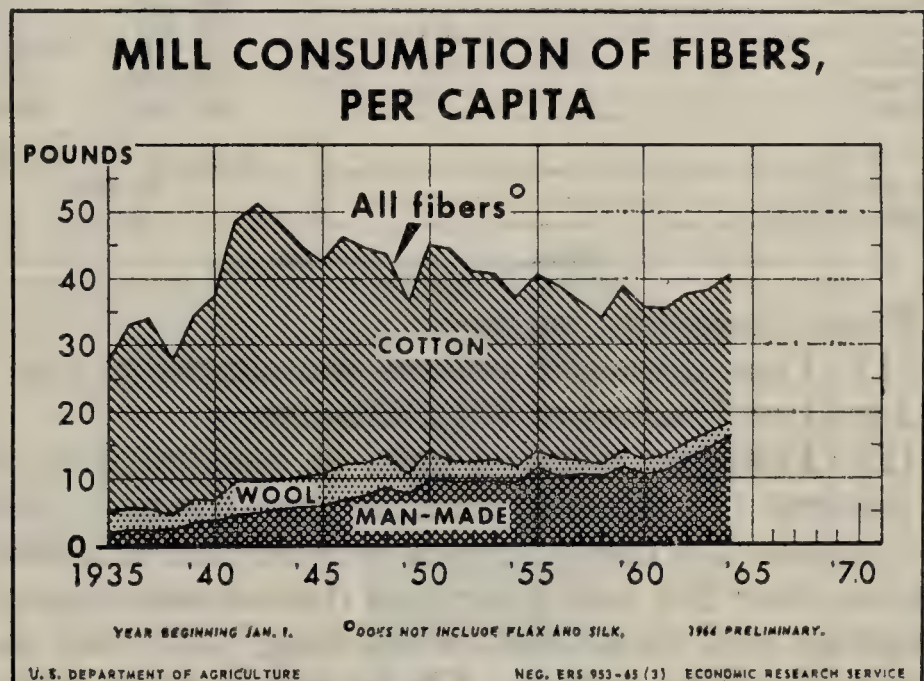
From these facts it is clear that the accomplishments of the present cotton program during the last year were far from what the Congress was led to expect when the underlying law was passed just over a year ago.

THE COTTON CYCLE

Mill consumption of fibers runs in cycles. The chart below shows the movements of the cycle from the year 1935 through the end of 1964.

Per capita mill consumption of cotton in calendar 1964 was slightly over 22 pounds. This was nearly a pound more than in 1963 when per capita cotton consumption was the smallest since 1934. Per capita man-made fiber consumption totaled about 16.5 pounds, up nearly 2 pounds from 1963.

Cotton's share of total fiber consumption declined slightly in 1964 to a record low of 54.5 percent. Man-made fibers' share in 1964 was about 41 percent—a record high. Wool use accounted for about 4.5 percent.



You can readily see from this chart that there is a constant up-and-down trend in cotton mill consumption and a very similar trend for manmade fiber. When changes in cotton consumption are considered, therefore, they should be looked at in relationship to what is happening to manmade fibers as well as where we are in the cycle of mill consumption.

You will note on this chart that the proportion of total mill consumption has been increasing dramatically for manmade fiber and decreasing for cotton.

The following table shows by months for cotton and manmade fibers the domestic mill consumption for the year from April through March for 1963-64 and 1964-65. April was the month that the current cotton

law became effective and therefore is the true starting point for judging what has happened during the first 12 months of the program.

You will note from this table that domestic mill consumption of cotton is up 8.4 percent during this period from a year earlier, and manmade fiber is up 11.9 percent. Since manmade fiber consumption has increased more than cotton consumption during the last year, it is obviously erroneous to conclude that the increase in use of cotton is due to the new mill subsidy.

Domestic mill consumption of cotton and manmade fiber by months April–March 1963–64 and 1964–65

Month	Cotton (running bales)		Manmade fibers, cotton system spindles (1,000 pounds)	
	1963–64	1964–65	1963–64	1964–65
April	798, 901	822, 946	78, 573	89, 760
May	685, 608	680, 395	67, 001	73, 565
June	654, 787	676, 822	68, 817	73, 678
July	677, 629	735, 735	72, 790	80, 404
August	657, 697	705, 705	68, 962	77, 444
September	651, 702	695, 029	66, 929	75, 269
October	823, 449	872, 570	85, 395	94, 712
November	669, 305	716, 202	70, 678	76, 827
December	587, 982	791, 215	63, 554	84, 856
January	807, 610	722, 305	85, 387	76, 204
February	676, 325	733, 785	73, 265	78, 245
March	665, 196	905, 074	72, 758	96, 837
Total	8, 356, 191	9, 057, 783	874, 109	977, 801
Difference	701, 592		103, 692	
Percent change	+8.4		+11.9	

From these data we see :

(1) That domestic cotton consumption has not increased “800,000 to 1 million” bales but 701,592 bales.

(2) That the relative gain in consumption of manmade fibers was 42 percent (11.9 to 8.4) greater than the gain in cotton.

Considering these facts it is clear that the increase in consumption of cotton over the last year was due to something other than the cotton program and that this “something” affected the synthetic fibers more favorably than cotton. Or to put it more simply, instead of gaining relative to synthetics under the new program, cotton has lost market position.

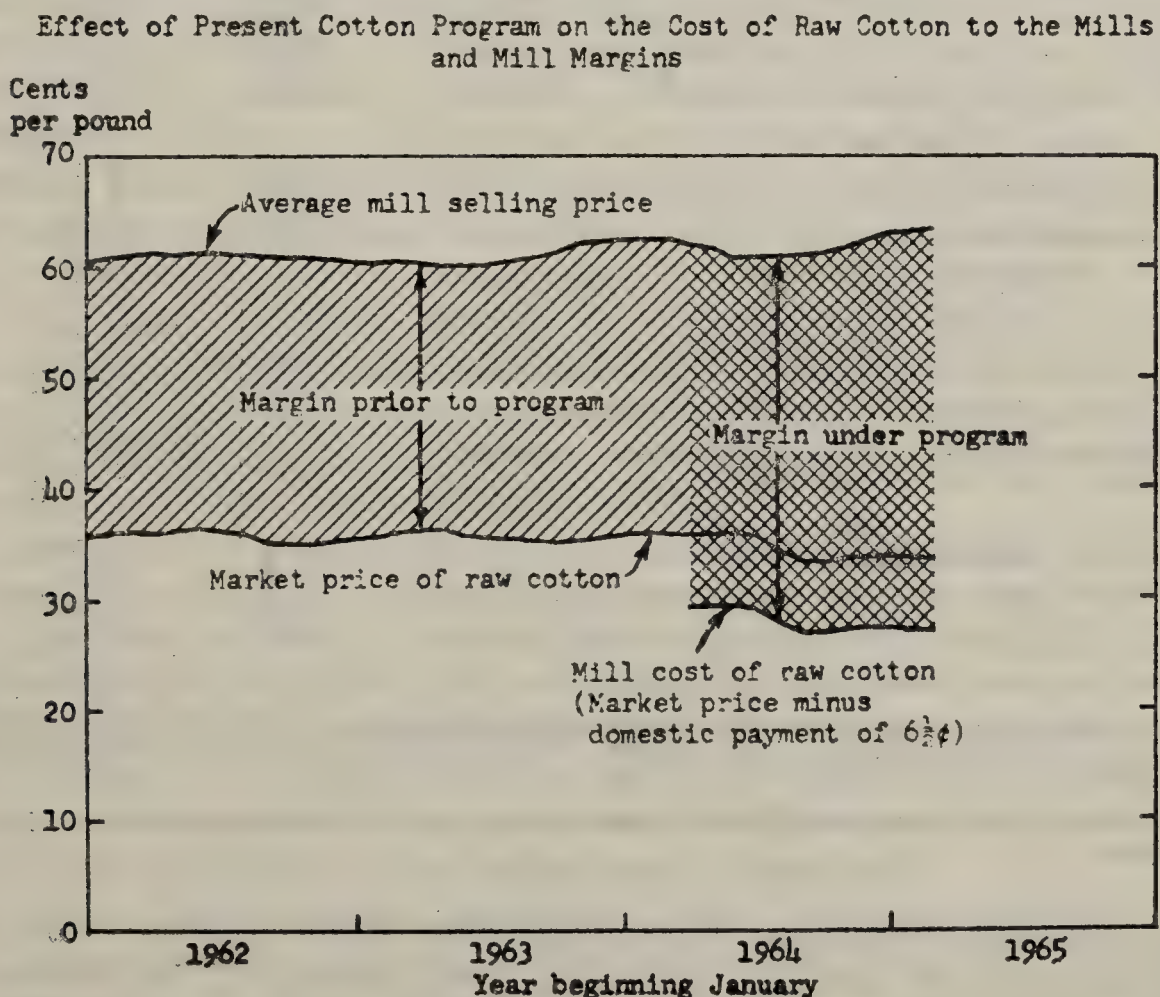
Senator Ellender, chairman of the Senate Agriculture Committee, and others have indicated that the cost of the current cotton program is in excess of \$800 million annually. This high cost is in conflict with the claims made by the proponents at the time the law was passed. Because of its high cost and poor performance, the entire program has been highly embarrassing to the executive branch of our Govern-

ment and a matter of concern to all people who are interested in solving the cotton problem at reasonable public cost.

Another claim of the proponents of the current cotton law was that consumer prices would be reduced. The ex-Secretary of Commerce, Luther H. Hodges, on January 31, 1964, wrote Senator Ellender the following:

DEAR MR. CHAIRMAN: It is my understanding that during the course of your current hearings on the need for emergency cotton legislation, the question continues to arise as to whether or not a reduction of $8\frac{1}{2}$ cents per pound in the cost of cotton to domestic mills would be reflected in savings to American consumers of cotton textile products. When similar legislation was being considered by the House Committee on Agriculture, Hickman Price, Jr., then Assistant Secretary of Commerce, testified in behalf of this Department that savings to consumers would amount to about \$90 million for each cent of reduction. A reduction of $8\frac{1}{2}$ cents per pound would thus result in a saving to consumers of more than \$700 million. This saving, Mr. Price said, would come with a lag of from 3 to 8 months, the time from first consumption at the mill to ultimate consumer, and would be reflected in either lower prices or higher quality of the merchandise.

The following chart and table indicate the effect of the present cotton program on the cost of raw cotton to the mills, the average mill selling price and mill margins.



Cloth and raw cotton prices and mill margins my months beginning with 1962
[Cents per pound]

	Average for 20 constructions		
	Unfinished cloth prices	Raw cotton prices	Mill margins
1962			
January	60.63	35.78	24.85
February	60.76	35.82	24.94
March	61.07	35.98	25.09
April	61.23	35.85	25.38
May	61.19	36.13	25.06
June	61.24	36.34	24.90
July	61.29	36.19	25.10
August	61.12	35.89	25.23
September	60.93	35.23	25.70
October	60.71	35.08	25.63
November	60.68	35.10	25.58
December	60.67	35.30	25.37
1963			
January	60.55	35.45	25.10
February	60.47	35.66	24.81
March	60.49	35.95	24.54
April	60.26	36.08	24.18
May	60.00	36.16	23.84
June	60.11	35.86	24.25
July	60.28	35.57	24.71
August	60.60	35.33	25.27
September	60.99	35.19	25.80
October	61.34	35.11	26.23
November	62.00	35.27	26.73
December	62.29	35.37	26.92
1964			
January	62.32	35.47	26.85
February	62.37	35.55	26.82
March	62.37	35.58	26.79
April	62.00	35.63	126.37
May	61.62	35.67	125.95
June	60.87	35.76	125.11
July	60.95	35.60	125.35
August	61.00	27.64	33.36
September	61.02	26.82	34.20
October	61.25	26.80	34.45
November	61.48	26.98	34.50
December	62.58	27.30	35.28
1965			
January	63.24	27.30	35.94
February	63.28	27.26	36.02
March	63.42	27.26	36.16
April	63.89	27.40	36.49

¹ Does not include the 6.5 cents per pound cotton equalization payment made to domestic cotton users on all bales opened beginning 12:01 a.m., Apr. 11, 1964. USDA made no adjustment for these payments prior to August 1964.

Source: "Cotton Price Statistics," Cotton Division, Consumer and Marketing Service, U.S. Department of Agriculture.

It is obvious from the record that raw cotton prices were reduced by the amount of the mill subsidy; but instead of unfinished cloth prices declining a similar amount, they actually rose slightly and of course the mill margins widened by even more than the amount of the mill subsidy. This is all in direct conflict with the promises made for the current cotton program.

In addition to the fact that the promises of proponents of the current cotton program have not materialized, the industry itself from the producer to the consumer including the marketing mechanism has been badly disrupted by this program.

The compensatory payments paid to small allotment holders and to those who stay within their domestic allotments and the mill subsidy payments have proved to be extremely costly and of little value in alleviating the cotton problem.

OUR APPRAISAL OF H.R. 8149

This proposal would extend for a 2-year period almost all of the bad provisions of the current cotton law and would add some that are even more objectionable.

(1) The first change from current law would permit a reduction in the minimum national acreage allotment for upland cotton from 16 million to 14 million acres. This in itself is an admission of the almost total failure of the current law and indicated that proponents of the new legislation continue to feel that cotton must be a shrinking industry. This is in direct conflict with the views of Farm Bureau.

(2) The new proposal would permit the compensatory payment to be made directly to farmers. Administration witnesses have clearly indicated their intention to make the payment to producers. The bill provides that there would be no limitation of the payment to individual producers. Past history indicates, however, that, when such large payments are made to producers, limitation invariably results after a short period of time. This is best proved by what has happened with ACP and soil bank payments. Both of these programs started out without limitation but limitations were eventually added by the Congress. Limitations can be invoked either with a flat dollar limitation or a scale of graduated payments as has been recommended by the Department of Agriculture with regard to the wool program.

(3) The new program would authorize the Secretary to increase the compensatory payment made directly to small producers and those planting within their domestic allotments from 15 to 25 percent of the loan rate. This too moves in the wrong direction because it would perpetuate inefficient production of cotton.

(4) In addition to increasing the amount of the direct payment to producers, the domestic allotment payment would be made to all producers of cotton with 15 acres or less regardless of whether the allotment acreage is planted. This obviously is a poverty-type payment that has no place in a program designed to solve the economic problems of cotton. The purpose of a cotton program should be to solve cotton's problems rather than to perpetuate them. (See table on number and size of upland cotton allotments attached.)

(5) Under the proposed program, many cotton producers would receive in excess of one-third of the value of their crop in direct payments from the Federal Treasury. Those with 15 acres and less who did not plant cotton would, of course, be getting 100 percent of their cotton income from Government. Such a program for a commodity is doomed to failure.

(6) While the proponents of this new program claim large savings over the current costs, if history repeats itself the record will be quite different after the program is in operation.

(7) Finally we see nothing in this new proposal that is an improvement over the current law which has proved to be a failure. On the

contrary many parts of this new proposal would lead us into even greater difficulty.

Mr. Chairman, with your permission I would like to ask that Mr. Grant be permitted to continue.

FARM BUREAU'S RECOMMENDATION FOR A NEW APPROACH TO THE COTTON PROBLEM

Mr. GRANT. The current cotton situation and the alternatives available have been given very serious study by our Farm Bureau members. The following policy resolutions, adopted by the official voting delegates of the member State farm bureaus at their convention in December 1964, are pertinent to the issues now before this committee. I quote them as follows:

Early in 1964 Congress sought to correct the accumulated difficulties which had arisen as a result of the unwise use of discretionary authority in establishing price-support levels under the Agricultural Act of 1958 and which resulted in disastrous consequences to the cotton industry. It hastily enacted legislation for 1964-65 to deal with the emergency while a more permanent program was being developed.

In order to meet the needs of cotton farmers, restore cotton to a more competitive position with synthetic fibers and cotton produced abroad, and reestablish industry confidence that ample supplies of cotton will continue to be available at reasonable prices, we recommend:

(1) A national price-support level of 29 cents (basis M-1 inch) for 1965; 28 cents for 1966; 27 cents for 1967; and a level equal to 90 percent of the average market price received by farmers during the immediately preceding 3 years for 1968 and subsequent years.

(2) Elimination of domestic equalization payments by annual reductions of 2 cents per pound in the 1965 and 1966 marketing years and termination of such payments in 1967.

(3) Continuation of present acreage release and reapportionment provisions.

(4) That producers be provided an opportunity to release their entire allotment permanently in exchange for a retirement payment equal to 8 cents per pound times normal yield annually for a period of 3 years. Allotment acreage released under this provision could be used only for conservation purposes during the contract period, but would remain in the State and be available for reallocation at the end of the 3-year period.

(5) That Commodity Credit Corporation stocks not be released at less than 115 percent of the loan rate plus carrying charges.

(6) Intensified research to reduce the cost of producing cotton.

(7) Tariffs to prevent unfair competition from imports of cotton textiles.

(8) Continuation of export subsidies as necessary to maintain adequate export markets.

(9) Termination of present provisions for the domestic allotment plan, direct payments to producers, and export acreage.

(10) Continuation of the present 16-million-acre minimum national allotment with increases as justified by market growth.

Bills to carry out these resolutions have been introduced on a bipartisan basis in the House and are H.R. 3025 (Teague, Democrat, of Texas), H.R. 2855 (Talcott, Republican, of California), H.R. 3319 (Teague, Republican, of California).

The new Farm Bureau program has been thoughtfully tailored to overcome not only the shortcomings of the present law, but to provide a sound solution to the cotton price problem at greatly reduced and fully defensible costs to the Federal Treasury.

This proposal offers the grower three alternatives. He may plant his allotment; he may release his allotment for reapportionment and maintain it as many have done in recent years; or he may release the

allotment permanently in exchange for three annual retirement payments.

Under the latter alternative, the grower would agree to release his allotment permanently and devote the land to conservation uses for a period of 3 years. For this he would receive annual payments at a per acre rate equal to 8 cents per pound times his normal cotton yield.

The allotment acreage released under this provision would remain in the State where released and would be available after the contracts expire for reallocation to farmers who desire to grow cotton. The provisions of present law relating to release and reapportionment would remain unchanged. But present provisions for the domestic allotment plan and export acreage would be discontinued.

The price support and subsidy provisions of the proposal are calculated to make cotton competitive. This would be accomplished by graduated annual stepdowns of 1 cent in price supports and 2 cents in mill payments over a 3-year period.

Price supports would be set as has already been announced at 29 cents for 1965, 28 cents for 1966, and 27 cents for 1967. (The Department of Agriculture has already set the support at 29 cents for 1965 and has complied with the first step.) In 1968, and thereafter, the support would be set at 90 percent of the average price received by farmers in the immediately preceding 3 years and would move up and down with changes in this average.

It is anticipated that under this program the average market price received by farmers would be above the support level beginning in 1965.

The formula for establishing support prices is completely automatic, leaving nothing to discretionary action or guesswork. At the end of each year the prices received for that year would be substituted in the formula and the new 3-year average would be computed.

Coupled with this change in price support systems is a protection against the possibility that market prices might be beaten down, as has been true for other commodities, by the sale of CCC stocks. The price at which these stocks could be sold would be increased from 105 percent of the support price, plus charges, to 115 percent plus charges. Thus, market prices would be allowed to function.

The mill payment part of the plan to make cotton competitive would reduce the present 6½-cent subsidy payment by 2 cents in 1965 and 1966 and terminate the payment with 1967.

The net result of the proposed changes in mill payments and price supports is that each group—textile mills and cotton producers—would be contributing roughly 1 cent per pound per year for a period of 3 years, starting with the 1965 crop, thus getting to a truly one-price system.

Another important aspect of the proposal from the standpoint of cotton producer income is that provisions are made to further intensify research to reduce production costs.

This increased research effort should start to show significant results in the near future. We have recommended \$10 million for such research for fiscal 1966.

While the entire proposal is directed toward eliminating the unfair competitive position which foreign textile manufacturers have held

over domestic manufacturers, provision is made to increase tariffs in case textile imports become a problem.

Export markets recently have provided outlets for around a third of the cotton crop. During the late fifties and early sixties the percentage was somewhat higher. This provides real basis for hope that with more competitive prices assisted by reasonable export subsidies, cotton exports can be increased by a million bales or more, from the recent levels of 4.5 to 5.5 million bales. The Farm Bureau plan proposes to continue present provisions for export subsidies as necessary to reestablish strong export markets.

The Farm Bureau plan proposes to continue the present minimum allotment of 16 million acres but provides for increasing the allotment as much as market growth will justify.

A cotton program such as proposed by Farm Bureau would set market strengthening forces into motion at once and lead to substantial market expansion over the next few years. This, coupled with the reduction in output to be expected from the allotment reduction plan, means that within the near future the national allotment might safely be increased from the present level.

We sincerely hope that the Congress will give favorable consideration to these recommendations. If we attempt to put another patch on this greatly patched-up cotton industry—as proposed in H.R. 8149 and the suggested changes offered by the Department of Agriculture—we will be contributing to the destruction of the industry. We had better face the facts now and take the required action.

Number of original upland cotton allotments in 1964 by size nationally and by State¹

State	Size and total number of original allotment (acres)						Col. 1 as percent of total	Cols. 2 to 5 as percent of total
	0.1 to 14.9	15 to 29.9	30 to 49.9	50 to 199.9	200 and over	Total		
	(1)	(2)	(3)	(4)	(5)			
Alabama.....	79,762	9,001	2,710	2,053	188	93,714	85.1	14.9
Arizona.....	832	510	429	1,020	427	3,218	25.9	74.1
Arkansas.....	26,506	8,815	3,605	4,320	998	44,244	59.9	40.1
California.....	4,202	1,868	1,299	2,438	660	10,467	40.1	59.9
Florida.....	5,108	373	75	32	1	5,589	91.4	8.6
Georgia.....	46,366	9,721	3,293	2,238	112	61,730	75.1	24.9
Illinois.....	297	20	11	6	1	335	88.7	11.3
Kentucky.....	695	50	33	26	1	805	86.3	13.7
Louisiana.....	18,919	4,556	1,703	1,838	314	27,330	69.2	30.8
Mississippi.....	55,185	9,452	3,326	3,857	1,308	73,128	75.5	24.5
Missouri.....	7,756	3,141	1,505	1,471	133	14,006	55.4	44.6
Nevada.....	1	3	3	11	2	20	5.0	95.0
New Mexico.....	2,083	1,104	715	887	81	4,870	42.8	57.2
North Carolina.....	61,075	3,714	1,202	720	31	66,742	91.5	8.5
Oklahoma.....	18,255	8,353	4,355	3,138	97	34,198	53.4	46.6
South Carolina.....	48,284	6,512	2,461	1,957	118	59,332	81.4	18.6
Tennessee.....	42,546	5,632	1,780	1,297	77	51,332	82.9	17.1
Texas.....	49,441	36,009	25,070	38,159	3,939	152,618	32.4	67.6
Virginia.....	4,591	89	24	8	-----	4,712	97.4	2.6
Total, United States.....	471,907	108,923	53,599	65,476	8,488	708,393	66.6	33.4
Percent of total.....	66.6	15.4	7.6	9.2	1.2	100	-----	-----

Source: Assembled by AFBF staff from reports of the U.S. Department of Agriculture.

Again we would express our appreciation, Mr. Chairman and members of the committee, and the following page is merely a table showing the number or original upland cotton allotments in 1964 by size nationally and by States.

The CHAIRMAN. Thank you very much.

We thank you for your appearance.

Next we will have Mr. Camp.

Mr. HAGEN. I would like to introduce Mr. Camp. He is a transplanted South Carolinian living in California who is in the cotton business.

Mr. CAMP. I can't hear what he is saying.

The CHAIRMAN. He said you came from South Carolina. Is that right?

Mr. CAMP. Darn right.

The CHAIRMAN. Have you a statement, Mr. Camp?

Mr. CAMP. Yes sir. I won't follow it all; ad lib a little and I will get through in a hurry.

The CHAIRMAN. Fine. Go ahead.

**STATEMENT OF W. B. CAMP, BAKERSFIELD, CALIF.; ACCOMPANIED
BY WALTER GARVER, WASHINGTON, D.C.**

Mr. CAMP. I am Bill Camp. I am a farmer. With Walter Garver here I also represent the Chamber of Commerce of the United States.

I grow cotton and several other crops. I want it understood distinctly that personally I want no special privileges for myself as a farmer and for my families as farmers which might be denied to farmers of the same crops in other States or areas.

I grew up in South Carolina, on a small cotton farm. I was champion cotton picker in that area. I still farm in South Carolina and in California and in some other States.

The Department of Agriculture and the War Department sent me to California and other western areas to see if quality cotton could be grown which was needed for war purposes in World War I. That was my assignment.

You know the story since, Mr. Chairman and gentlemen. We have been looking for quality cotton. I wrote the one-variety cotton law in California in 1925. It has been very helpful. We must improve the quality of cotton in other areas, and soon, grow for consumption instead of for the Government loan.

There are many ways we can help improve our cotton quality across the country. One of them is, and I think you, Mr. Chairman, are aware of this fact, that some of us have spent a lot of time and money demonstrating the use of supplemental irrigation in the Cotton Belt of all the Southeast, and ultimately and soon all successful cotton growers will be using supplementary irrigation all across the belt.

This is thanks to you and others for some of the laws you were successful in passing.

Now for my prepared statement. I hope it will not come as a shock.

In the early beginning I was called in in 1933 with Mr. Cobb. He was director and I was assistant director of the cotton division. We had something to do with the writing of the emergency program which was intended to be temporary, but it has grown very large.

It is clear by now that Government cotton programs have inflicted a malignant cancer upon the entire cotton industry and the related cotton economy. The spreading malignancy can be arrested and hopefully cured only by facing the problem head on and dealing effectively with the causes of the problem.

If the cotton problem seems insoluble it is because too many for too long have looked for miracle solutions, or hoped that in time the problem would go away, or dealt with it piecemeal in the vain hope that at some time in the future solutions would be easier.

I think at this point, because it is not in the text, I should say that perhaps some of the committee do not realize that we did have for 2 years a cotton adjustment program where direct payments were used. Cotton was sold for what the grower could get. The averages were made up and the Government gave a check for the difference between what they had arrived at, what they should get, 90 percent or 100 percent, whatever it was. Anyway, it worked. There were no mechanical difficulties, no problems. It worked smoothly and well.

Mr. POAGE. We commonly called that the Oscar Johnson plan, didn't we?

Mr. CAMP. Oscar Johnson had considerable to do with it, yes. I didn't know it was called that but he had a lot to do with it. It worked smoothly.

The only prospect for a viable cotton industry in this country is to produce a quantity and quality of cotton that will sell at a price that will beat the competition at home and abroad. If cotton producers cannot meet this challenge at prices that earn them returns with which they are satisfied in comparison to the earnings from other endeavors or enterprises, then cotton production in this country is doomed to shrivel, if not to become extinct.

I am an optimist. It will not be doomed.

Surely taxpayers will not go on indefinitely, heavily subsidizing hundreds of thousands of uneconomic cotton farmers to produce cotton that cannot be sold without heavy public loss. This is also true for other commodities. One way or another, many thousands of today's cotton growers are on a steep downhill economic slope. There is nothing feasible that Government can do to prevent their demise as cotton producers.

I am not talking about something strange to me about thousands of my own kinfolks who are still in this today. They know that ultimately and soon all cotton will be mechanized, all of the harvest, and so on, and they can't do it in two ways. There is nobody more interested in the family farm, the small family farm, if you please, if it can be done than I am because I do have these folks who are mine. However, it has to be economic, it has to be of size, no matter what the commodity, so that it can sell enough products to return them, return the cost of it plus a living for the family. Otherwise it cannot be, whether it is cotton, beans, or whatever it is. I am talking about the ultimate.

The most tragic part of their fate is that they are the victims of the folly of some of the Government cotton programs. The most that Government can do in the public interest is to provide a reasonable measure of assistance to these folks to minimize the pain and penalty to them in making adjustments to the inevitable.

I would like to say more on that and make a long speech on that, but we are talking about people now.

There are commendable merits in many of H.R. 8149 provisions and implications. We wish, however, that it offered more positive and constructive medicine for the cotton misery than we are able to find in it. It recognizes that one price cotton is imperative if the industry is to survive. God bless you.

It seems to be intended to correct the evils of the indirect subsidies, the payments to other than producers. These indirect subsidies deceive both the public and the producers themselves about the prospects for cotton. They numb and paralyze those directly concerned, deterring them from coming to grips with the hard realities of the cotton problem.

I won't say any more about the 2-year program, but it worked so smoothly. There were no problems of any kind at all.

In this connection we commend the author of H.R. 8149 also for his realism and farsightedness in providing that there be no handicaps imposed on those who produce the overwhelming bulk of the cotton, by differential benefits or payments. Such handicaps could provide at best only minor and fleeting benefits of doubtful value to other producers, no matter how many thousands they number. Such benefits cannot save those who cannot compete. This would be the wrong way toward a sound cotton economy that can grow and prosper. The imposition of such handicaps would be another heavy and destructive blow to the industry. H.R. 8149 does well to recognize these dangers.

In the 2-year program I spoke of there were no differentials. Every grower, big and little, were all treated as growers and as American citizens.

Any graduated scale, I say, any graduated program of that kind will definitely kill the program soon. It cannot survive.

Other features of H.R. 8149 promise only trouble.

The proposal to trim acreage allotments to a total of 14 million is unsound for two reasons. First, it is another kind of handicap to the producers of the overwhelming bulk of our cotton. Their operations are based on efficiently spreading their overhead costs over an optimum acreage. In terms of costs and profits they are effective producers.

If some level of minimum allotment such as 15 acres is exempted from the cuts, the handicap is that much more emphasized. The provisions of section 2 of this bill provide special considerations of this type.

Secondly, reducing allotments is an exercise in futility. One has only to look at the record and the trends to see why. If it were to be policy to continue this futile effort to try to contain production by reducing allotments, one has only to look at the record to see disillusionment ahead.

The U.S. Department of Agriculture's calculations of yield trends in cotton continue upward. The average compound rate for the last 10 years has been an increase of 5 percent.

Projecting this same rate to 1970, only a short 5 years away, shows an average U.S. yield of 700 pounds. To produce 15 million bales at this yield would then require an allotment resulting in less than 11 million acres, contrasting with the 14 million acres harvested in 1964.

Limitation of acreage only gives impetus and an economic basis for increasing yields. The reason is obvious, as we have already indicated: The effort to spread fixed or overhead costs over as large a volume as possible.

The whole effort to contain farm production by acreage controls and acreage diversion schemes is almost entirely futile. Look at the record on cropland devoted to the 59 principal crops. If you have the script in front of you, I will skip the figures. There was thus, by 1964, an increase of 6 percent in what is supposedly cropland. In spite of a decline of 6 percent in the total acreage harvested in the principal crops there was between 1957, 1961, and 1964 an increase of 6 percent in the total volume of crop production.

There is trouble ahead in the provision of H.R. 8149, section 2, which provides premiums over support levels for additional reductions in planting. There is no general public support for a program which pays farmers for not producing especially when "not planting" results in net returns to farmers as good as they can get from producing.

Finally, it seems to us that section 3 of H.R. 8149 makes it possible to default on all the well-meant provisions in the previous sections by delegating to the Secretary of Agriculture discretionary authority to determine the life and death of the cotton industry. To quote it in part:

* * * If the Secretary is unable because of lack of funds or for other reasons to provide the levels of combined support authorized * * * price support shall be made available for such crop at such level not more than 90 per centum nor less than 65 per centum of the parity thereof.

At current partiy for upland cotton, this means he can set the support anywhere between 27 and 37.5 cents. The crux of the present cotton problem is the wide difference between market prices and prices to producers. This provision puts the Secretary of Agriculture in the driver's seat and at the throttle of the cotton economy.

We recommend and suggest to the committee for consideration the adoption of a bold, positive approach to the cotton dilemma. It calls for complete withdrawal of the Government from the cotton production and marketing economy.

Only pressure on producer prices will give adjustments that lead to constructive and hopeful prospects for the cotton industry. Only decisions by growers themselves on how much to plant and how to produce it can free the cotton economy from its menacing entanglement.

We therefore propose the prompt termination of all Government efforts to raise or support cotton producer incomes. This calls for and end of price supports at or above market prices determined in competitive conditions, leaving a standby emergency program providing a minimum of protection in case of sudden undue loss, like, for instance, on your house. If it burns down you get something but you do not make a profit. It requires the termination of all acreage allotments and/or marketing quotas. It means the end of all efforts to make cotton worth one price to producers and another price to users. To cushion the impact of this drastic approach we propose that

the Government buy back from producers their allotted production. This would be by the purchase of a "quitclaim" to any further Government programs or help.

It is proposed that these allotments be purchased on the basis of say 24 cents a pound of normal yield from the allotted acreage. Thereafter, there would be no assistance and to make this effective the act authorizing this program should commit the Government against any further assistance.

I would like to emphasize that the figures we use are basically illustrative of the approach we are suggesting. We think they are reasonable and likely to get the job done but the figures are not intended to be the only right ones.

I finish with this: This "buy back" to each cotton producer is justified on the basis that Federal Government cotton programs have fostered an investment in, and artificial capitalization of farm resources of producers on the basis of the price and income expectations which cotton programs have generated. Buying back the allotments is thus a compensation to them for their capital losses that will result from what thereafter will be competitively market priced cotton, prices based on what cotton is worth to domestic and foreign buyers and users in the light of competing fibers and competing sources of staple.

Mr. Garver will carry on the balance.

The CHAIRMAN. Let me interrupt there. You see that the Members have all gone to the floor. The House is in session. The final bell for convening has just sounded. Your office is here in Washington. Why could you not come back at the next meeting and finish the statement? Let it appear in the record as given here today. Would you rather do that?

Mr. GARVER. Other than questions you might ask, we can file the rest of the statement, if that is your wish.

The CHAIRMAN. That is all right. If you want to file the statement. (The balance of the statement follows:)

Under this buyback a producer with, say, a 20-acre allotment and a 500-pound normal yield, would receive \$2,400 for surrender of his allotment and thereafter would produce and market cotton for its worth in markets. A grower with a 75-acre allotment and a normal yield of 350 pounds would receive \$6,300 for his allotment. The producer with a 5-acre allotment and normal yield of 400 pounds would be paid \$480. And, of course, the grower with an allotment of 200 acres and 1,000 pounds normal yield would get \$48,000.

This kind of direct and realistic settlement of the cotton dilemma would have to be a one-time shot and a clean breakaway from all other cotton price support and control programs. It cannot be done on an optional or voluntary basis, at the choice of the producer, or of anyone else. The cotton economy simply cannot survive half free and half slave to Government programs.

The total cost of buying back all allotments in this way would be a staggering sum, perhaps as much as \$1.8 billion. But this would be the one-time price paid to free cotton from its present mess to producers, the Government, and taxpayers. We think this cost will be less than the total costs of other programs for cotton for just the next few years.

The chairman, Mr. Cooley, said in this hearing a couple of days ago that the 1964-65 program alone may cost up to \$900 million. This is for just 1 year.

Under the rigors of a free cotton production economy for growers there will be some producers, both large and small, who cannot hope to survive in competitive production. The second part of our proposal is to provide transitional

assistance to such producers who elect to withdraw entirely from cotton production in favor of other farm enterprises or of alternative means of livelihood.

For such adjustment the producer who has decided to quit cotton would elect to do so in advance of planting in any year. A time limit, we suggest 5 years, would need to be set on this option. He would agree thereafter, and bind himself accordingly, not to produce cotton on any land he owns, leases, or in which he shares management or control. Nor would cotton be produced that year on his land by any producer.

In one-time compensation for his permanent retirement from cotton production he would receive payment in kind or its equivalent from Commodity Credit Corporation cotton stocks equal to his 1965 allotment times normal yield times, say, 24 cents. CCC would sell from its stocks cotton equal to the allotted production. The retiring producer's payment in kind (or the conversion equivalent) would thus be in addition to the price for surrender of allotments to any and all producers.

This part of the program would permit the constructive use of Government-held stocks of cotton to encourage and assist adjustments out of cotton. It would thus substitute Government stocks for the crop the retiring grower would otherwise produce in the year of his retirement.

This provision, we believe, will be extremely constructive and important to growers in lower yielding areas who might find that they are unable to survive on cotton. But it could also be helpful to any grower who is at relative or comparative disadvantage in producing cotton.

There are important cotton areas where allotments are small and the cotton income is correspondingly small. In North Carolina, of the farms with cotton allotments (1961), 58 percent were less than 5 acres. In South Carolina and Tennessee more than 40 percent of all allotment farms were less than 5 acres. In Georgia, Alabama, and Mississippi they constituted more than one-third of all allotments.

In half of the principal cotton States the farms with allotments of 10 acres or less were from 50 to 80 percent of the total allotments. In 10 States from 50 to 90 percent of the allotments were 15 acres or less. In 1964 there were many farms with 15-acre allotments which had a return of \$900 from cotton operations after paying direct costs and allowing for machinery depreciation, and the gross receipts from cotton accounted for 60 to 70 percent of gross cash intake.

But there are small allotments in every cotton State. In 13 of the 14 major cotton States one-third or more of the allotment farms had allotments of 15 acres or less. Nationally in 1961 more than 80 percent of all farms having allotments were allotted less than 30 acres.

To some considerable extent the adjustment problems are related to the size of cotton operation, but not all so-called small cotton farms are hopelessly unprofitable, nor are all larger operations bonanzas. There are regional, or geographic differences in concentration, as is well known, that make the political aspects of the cotton dilemma more difficult to deal with.

For example, the Southeastern States (North and South Carolina, Georgia, and Alabama) had 40 percent of the allotment farms in 1961 but produced only 13 percent of the cotton. The delta States (Missouri, Arkansas, Tennessee, Mississippi, and Louisiana) had 30 percent of the allotments and produced 31 percent of the cotton. Texas and Oklahoma taken together had 27 percent of the allotments and produced 36 percent of the 1961 crop.

At the other end were the three Southwestern and Western States (New Mexico, Arizona, and California) which had only 3 percent of the allotments but which produced 20 percent of the crop.

No proposal as drastic as ours to go directly to competitive pricing of cotton among producers can be seriously made without consideration of the initial impact on the various cotton areas and types of producers. This needs to be made in terms of costs of production, of returns from alternate enterprises, and of the ability to withstand the initial shock wave.

The following table gives an example of some differences that have prevailed recently on these points. It is based on work of the Economic Research Service, USDA:

	1963 returns from lint and seed, per pound lint	Costs— Direct and machine deprecia- tion 1963, per pound lint	1963 returns above costs (in col. 2)	1963 returns (col. 1) adjusted to 24-cent national average per pound lint	Returns above 24-cent adjusted in (4)	Area price of lint— Basis 24-cent national average	Price for lint needed to give returns equal to next best alter- native enter- prise (1963)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
FARM TYPE	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Cotton: Southern Piedmont.....	37.58	26.34	11.24	28.84	2.50	25.9	29.2
Mississippi Delta—Large scale cotton.....	37.64	18.12	19.52	28.89	10.77	25.5	21.5
Texas: Black Prairie.....	35.10	21.80	13.30	26.94	5.14	23.6	28.2
Texas High Plains:							
Nonirrigated.....	34.25	14.04	20.12	26.29	12.25	23.3	14.8
Irrigated.....	34.26	15.13	19.13	26.29	11.16	23.3	17.9
Cotton-general: San Joaquin Valley, Calif.....	39.10	19.00	20.10	30.01	11.01	27.0	22.2
Peanut-cotton: Southern Coastal Plains.....	36.20	27.10	9.10	27.78	0.68	24.9	26.1

NOTE.—Based on "Costs and Returns—Commerical Cotton Farms—1963", U.S.D.A. Economic Research Service, FCR-20, May 1964.

Assuming a free market, national average producer price of 24 cents, with the 1963 relationships that existed between areas, the following conclusions are suggested by the table:

(1) Under the initial impact of the freed cotton economy the direct costs and machinery depreciation would be covered in all 7 types (column 4 minus column 2);

(2) The returns per pound of lint cotton above these costs (column 5) would be sufficiently low in the southern Piedmont, Texas black prairie, and peanut-cotton: Southern Coastal Plains to encourage many producers to retire from cotton production;

(3) The lint price needed to give returns equal to the next best alternative enterprise, based on 1963 relationships (column 7) suggests that the same three types would find it advantageous to shift from cotton to their next best alternative enterprise. The Mississippi delta-large-scale cotton, Texas high plains, both nonirrigated and irrigated, and the cotton-general farms of the San Joaquin Valley, Calif., would still find it advantageous to stay in cotton rather than shift to other enterprises.

These are only the initial impacts of the change. We believe that a free cotton economy can and will respond with the vitality and ingenuity with which American farmers are blessed. We believe that the proposals we make will encourage a rapid adjustment to a healthy cotton economy. These adjustments will be of three kinds:

First, the program will encourage the speedy retirement from cotton of those too small—or too ill-equipped to survive in the competitive production of cotton. Some of them will reorganize their farm operations and shift to more profitable enterprises. Others will move from farming to other employment where there are growing opportunities or to outright retirement.

Second, the market price will intensify the profit motive to producers, inducing them to adopt cost cutting techniques and management practices.

Third, because prices influence costs of production, especially on such capital items as land and machinery, producers will be disciplined to reduce and keep in line their fixed costs in scale with the income to be earned from cotton.

In summary, we believe that nothing short of the drastic measures will save the cotton industry in our country. If it is to survive the industry cannot any longer afford to stumble along and falter under the unsound and unrealistic programs that have led it so close to disaster.

Mr. HAGEN. I want Mr. Camp from California to answer a question.

The CHAIRMAN. I am trying to give him permission now to file the complete statement in the record. Then we can adjourn and hear Mr. Camp. Is that all right?

Mr. GARVER. Yes, sir.

The CHAIRMAN. File your complete statement with the reporter. We will finish questions of you and then we will have to adjourn. The other witnesses cannot testify, and I do not think, want to be heard. Other members have gone to the floor. Mr. Owen of Dallas and Mr. Marion Rhodes, can you come back some other time?

Mr. RHODES. I can come back if I know for such I will be called.

The CHAIRMAN. You see what we are up against. I am trying to call these people from California and Texas and anywhere else.

Mr. OWEN. I do not believe that I can stay over next week.

The CHAIRMAN. Can not?

Mr. OWEN. No, sir.

Mr. OWEN. Do you have a prepared statement you would like to file?

Mr. OWEN. Yes, sir. I have not filed it.

The CHAIRMAN. Suppose you file it with the clerk or the reporter. It will appear in the record as if delivered in person.

Mr. GATHINGS. What is the essence of it in a sentence or two?

The CHAIRMAN. What is your position on the bill?

Mr. OWEN. We are taking the same position as the American Cotton Shippers, that we want a free market. Any plan that gets cotton into the free market and still gives the farmer the income that he should have, we are for. That is exactly our position and has been all the way through.

The CHAIRMAN. Suppose you file your statement with the reporter for the record and it will be considered by the members of the committee.

(The statement follows:)

STATEMENT OF A. OWEN, FOR THE DALLAS COTTON EXCHANGE

My name is A. Owen. I am here representing the Dallas Cotton Exchange. The Dallas Cotton Exchange membership is composed of various segments of the cotton trade, i.e., merchants, brokers, etc. Our stated views regarding the correction of the current cotton situation are similar to those of the American Cotton Shippers Association and its affiliated associations.

Everyone seems to recognize that U.S. cotton is in trouble because of its noncompetitive price. Editorials on the subject have been written from one side of the Nation to the other. The President has recognized the need for new direction in our cotton policy that would put cotton into the trade and into consumption rather than into Government storage. Secretary Freeman and various members of his staff have recognized the tragic position of cotton and urged that it be made competitive.

Because this situation is so widely recognized, I will not devote additional time to this subject but wish to call your attention to some other facets and ill-effects of our present high loan policy. Cotton has through the ages been a very superior raw product for making clothing and household textiles. By use of the nonrecourse loan, we have made cotton difficult to buy and have encouraged the manufacturers of textiles to buy other fibers, both foreign grown cotton and synthetics. The manufacturers of synthetic fibers have taken advantage of this price floor on cotton and have done a very excellent job in selling their product as well as developing better fibers through research. We all admit that they have developed substitutes for cotton that are replacing it at every turn. We now

find U.S. cotton fighting for its very existence as a raw product in the textile manufacturing field and still handicapped by a price fixing loan while its competitors are free of such encumbrances.

The cotton grower, in most cases, is producing cotton for the loan instead of the market. He has paid too little attention to improved textile manufacturing techniques that have been developed from time to time during the last several years because he has had the loan with its fixed prices and rigid quality differences to fall back on. Who can blame him for producing for the best and easiest markets available to him?

I would like to mention, however, a notable exception to this has been the San Joaquin Valley of California which has developed a very superior quality of cotton to fit the demand from the mills at home and abroad. I am glad to report that they are being rewarded for this effort by having a demand for their cotton at much above the loan price. I believe that the cotton producers in other sections of the country are just as capable as the California producers. There is no reason to doubt that they could and would improve the quality of their cotton to suit the changes in mill demand if they were producing for the market rather than the nonrecourse loan.

A prosperous agriculture is desirable from every point of view. The urban consumer should recognize that efficient production comes from the use of modern machinery, improved pesticides and fertilizers which are only obtainable if the producer is prosperous. We firmly believe that in our present political economy a subsidy is necessary to keep the cotton grower prosperous enough to be efficient. As we all admit, the nonrecourse loan system of subsidizing him has proven unworkable. The needed subsidy simply must be paid directly to him to let cotton compete and save its markets. If it is determined that we must have a protective loan, it must be sufficiently low to let cotton move into the world markets and meet its competition. We think that anything above 20 cents per pound would not achieve the desired goal. The subsidy should be sufficiently large to bridge the gap between the loan and the desired income level, without limitation as to the size of the payment.

We are against any reduction in acreage from the present minimum of 16 million acres.

We presently grow less than 30 percent of the world's cotton. Cutting acreage by Government decree will make many of our cotton growers less efficient. It will work hardship on cotton ginner, compressor and local merchants and will not accomplish the intended purpose of balancing supply and demand. It will merely hand the business of cotton growing to our competitors abroad and synthetic manufacturers at home and abroad who will take up the slack immediately.

We must realize that we have lost control of the textile fiber market and trying to balance supply and demand by cutting our own production is merely taking business away from our own economy and handing it to someone else. A great many of our aggressive and efficient cotton growers are already forced to go to other countries where they have uncontrolled freedom to produce for world markets. There are many instances of California and Arizona farmers growing cotton in Mexico and recently more than 20 have gone into cotton production in Australia. We have heard of many instances where Central Belt farmers have gone into Central American countries where they are successfully growing cotton at world prices.

A further mandatory cut in acreage will obviously do a great deal of harm to our economy. In fact, I would refer you to the report of the National Cotton Council dated December 1964 pointing out the adverse effect a reduction in cotton acreage would have on not only the economy of the South but also the effect it would have on growers of grain, soybeans, etc., in the other areas of the country. Of course an acreage reduction much larger than that proposed in H.R. 8149 is inevitable if we continue our present high loan program.

Finally, Mr. Chairman, we want to emphasize again that, unless the new legislation frees cotton for day-to-day market competition with foreign cotton and synthetics, it will not serve the long-term interests of producers, of the cotton industry, or of the United States.

Mr. CAMP. Mr. Chairman, may I make one statement? I am not condemning the beginning of cotton programs. There had to be something in 1933 and so on, prices were so low. I am not condemning the effort.

The CHAIRMAN. I want to ask a couple of questions. What will you do with the 14 million bales in warehouses?

Mr. GARVER. Mr. Cooley, the second part, which is the remainder of our text, has a second step by which those who want to contribute, to quit producing cotton, would receive a 24 cents per pound out of commodity credit stocks on that commodity moved into markets.

The CHAIRMAN. I understand that. But you are going to buy them off and get rid of them. What are you going to do with the 14 million bales?

Mr. GARVER. The year in which they retire from cotton production at their option, there would be moved out of the commodity stocks, out of the surplus, that amount of cotton. In other words, you are substituting from your surplus for the cotton that they would otherwise produce that year.

The CHAIRMAN. This contemplates reducing production of the domestic and subsidizing exports, does it not?

Mr. GARVER. Still it contemplates only substituting what they would produce that year.

The CHAIRMAN. How long do you think we would have to keep that in storage?

Mr. GARVER. Hard to tell. It depends on how the cotton market develops.

The CHAIRMAN. We are told if we increase our exports up to 70 million pounds, the world market drops to 16 or 17 cents a pound.

Mr. GARVER. We do not think it would be done in any one year nor that you would have to put that much on any one year. You might have to put a million bales——

The CHAIRMAN. I am talking about increasing our exports. That is what everybody wants to do. Put the exports up to 6 million and cotton comes down to 23 cents; or 20 cents. Everybody here from this part of the country grows cotton at 23 cents. I do not know about California.

Mr. GARVER. I do not think anyone can see at what level it would move exports. We have not been dealing with exports on what you call a competitive basis.

The CHAIRMAN. We have had exports up to 17 million bales and down to 2 million and 2.5 million.

Mr. Camp, you are in the cotton industry yourself in California?

Mr. CAMP. Yes, sir.

The CHAIRMAN. How many acres do you grow?

Mr. CAMP. I have a big family. My three sons and my sons-in-law and they know the acreage. I would be perfectly honest, I do not know. Not too much. We grow several crops. I want you to know we grow cotton in South Carolina, too. I never have been and not now and never will be interested in cotton in South Carolina more than in North Carolina or Alabama or somewhere else. As surely as water runs downhill, these crops are going to seek their level where they can be grown to the best advantage. If it is North Carolina, that is where it will go ultimately in a free economy.

The CHAIRMAN. You would like to take that South Carolina acreage out to California?

Mr. CAMP. No, sir. No one will ever accuse me of any of that.

The CHAIRMAN. You cannot do this but you would like to do it?

Mr. CAMP. No, sir. No one would ever accuse me.

The CHAIRMAN. I would like to take mine out there.

Mr. CAMP. No, sir. It costs us a lot of money to grow cotton out there. Don't kid ourselves. We have people saying it can be grown for 20 cents. It can't be done.

Mr. HAGEN. Mr. Camp, you spoke favorably of a direct payment which was in effect several years ago. Would you advocate such a plan at this time?

Mr. CAMP. I said if that program is going to go up. You heard our recommendations.

Mr. HAGEN. Right.

Mr. CAMP. I said if there is to be this other. I deplore this idea of kidding me and saying that I am being helped by somebody else. Come on, let us talk directly.

Mr. HAGEN. There are two propositions. I am not talking about whether we should make a payment to the mills or farmers but whether we should make a direct payment to anybody. Do you support the principle of direct payments?

Mr. CAMP. I would say as long as there is going to be a Government program, cotton grown ought to be grown by the growers and sell it on a free market and then everybody is in business. If he is entitled to some more—we made our recommendations but we are talking about something else, Mr. Chairman. Definitely so. I thought I made that clear.

Mr. HAGEN. In reference to Mr. Cooley's question to you, you have figures in a chart here and some comments which would indicate there are areas that could grow cotton profitably at 25 cents a pound, is that not correct?

Mr. CAMP. Figures talk, sometimes lie, too. I happen to be a cotton-grower. I happen to believe that they are not intended to do much better than we do. I do know what it costs.

The CHAIRMAN. You cannot grow it for 25 cents either, can you?

Mr. CAMP. I cannot stay in business at 25 cents.

The CHAIRMAN. That is right.

Mr. CAMP. Nobody else out there can. Don't let them kid you.

The CHAIRMAN. I talked to a cotton farmer from California and he said 31 cents was the breaking point for him.

Mr. CAMP. I have no oil meals to take seed to make an extra profit. I am just a cottonpicker. Nobody can be a cottongrower as such and only that and be in business at 25 cents, today.

I don't know, we may get it down to where we can grow it cheaper. I am talking about today.

Mr. HAGEN. In that connection, your proposal is to abolish the cotton program, right, after one payment to retire all cotton allotments?

Mr. CAMP. It was not essentially. I think I said it very plainly.

Mr. HAGEN. Buy them out once and then there will be no cotton program.

Mr. CAMP. No; there is another part of this program here. There will be a lot of growers in my kinfolds, and it is of official record I am told, that I have as many if not more than anybody else in the South. So I am not talking against them, God knows I am not. But you cannot be in business with 15 acres of cotton permanently on your own.

Mr. HAGEN. I want to pursue this. You said you could not grow cotton at 25 cents. You are a pretty good sized grower. How is anybody going to be able to grow cotton in the United States without some level or form of price support?

Mr. CAMP. If 25 cents is all that they can get in a free economy and if we cannot grow it, we cannot grow it.

The CHAIRMAN. What you propose to do is to buy out the other fellow and get him out of business?

Mr. CAMP. If they wish to only.

The CHAIRMAN. You want to go ahead and produce the cotton.

Mr. HAGEN. As I understand it, you would buy out everybody initially and abolish the program, and if they want to grow cotton thereafter they will do it without any kind of Government program. Is that right?

Mr. GARVER. The buy-out of the allotment is for everybody.

Mr. HAGEN. For everybody.

Mr. GARVER. This is to decapitalize some of the inflated capital costs. Thereafter, competitively you will find out who can produce cotton and who cannot. We do not think that 24 or 25 cents will be the world price of cotton. We think there are producers, if it is that, who will be able to produce it.

Mr. CAMP. Ultimately.

Mr. HAGEN. That is not what Mr. Camp said. He said he couldn't grow it at 25 cents.

Mr. CAMP. I said under today's conditions.

Mr. HAGEN. He is a good producer.

Mr. CAMP. I can produce it cheaper today than 10 years ago. I am an optimist and have great faith in science.

Mr. HAGEN. Today you could not grow it for 25 cents. Is that correct?

Mr. CAMP. I cannot stay in business at that; that is right.

Mr. HAGEN. That is an interesting point in the light of the fact that you wish to abolish the support program.

Mr. CAMP. And all these others who say they can, your clients, they cannot.

The CHAIRMAN. I have not heard anybody from Bakersfield who said that.

Mr. CAMP. They have?

The CHAIRMAN. They have not. I have not heard a one.

Mr. HAGEN. Two or three have said they could.

Mr. CAMP. If I had an oil well I might be able to.

Mr. GATHINGS. I was impressed with your emphasis on a quality product, Mr. Camp.

Mr. CAMP. That is right.

Mr. GATHINGS. I would like to have you comment a little further on that.

Mr. CAMP. I think a lot of the cotton that is in the CCC today is there because of lack of good quality.

The CHAIRMAN. You don't have much of your cotton in there, do you?

Mr. CAMP. I don't think a bale of mine has gone in there for so many years that I have forgotten it ever did, to be frank with you.

I am not bragging about our cotton, Mr. Chairman. I am saying that all the cottongrowers should be given an opportunity—somebody get busy in a hurry and get some seed that will give them quality strength instead of what they have had to put in the loan. That is another story but an important one for this committee to consider.

Irrigation to prevent droughts would be one of the best sources of improving quality, and the rainfall belt cannot continue indefinitely, Mr. Chairman, to compete with irrigated cotton when you got drought and everything else combined. Some of these days there will be an irrigation business. I have recommended it for 20 years in so many speeches, but it is to this effect—you fellows should see to it that in the West, with the irrigation projects which are there, most of them are OK, but at the same time you fellows ought to see to it that if tax money is being used for irrigation projects anywhere it ought to be used to take care of the families who have been for hundreds of years on these little farms, and so on, not just for cotton but to stay in business.

Mr. GATHINGS. I want to commend you for the fine work you have done with respect to irrigation, Mr. Camp.

Mr. CAMP. Thank you so much.

Mr. GATHINGS. I want to say to you that we have found that our farms in our area, where we have 45 inches of rainfall a year or more, we now have also gone into irrigation in order to produce good quality cotton and to produce cotton economically.

Mr. CAMP. Every farmer in America will be doing it before I pass on.

The CHAIRMAN. Thank you very much, gentlemen. We have to adjourn.

We meet again at 10 o'clock Tuesday morning.

COTTON

TUESDAY, JUNE 8, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:15 a.m., in room 1301 Longworth House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, Abernethy, Jones of Missouri, Hagen of California, Stubblefield, O'Neal, Stalbaum, de la Garza, Vigorito, Redlin, Greigg, Callan, Dague, Teague of California and Walker.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk, and Francis LeMay, consultant.

The CHAIRMAN. The committee will be in order, please.

The first witness is Mr. F. Marion Rhodes, president of the New York Cotton Exchange.

We will be glad to hear you now, Mr. Rhodes. You have waited a long time. You have been very patient.

STATEMENT OF F. MARION RHODES, PRESIDENT, NEW YORK COTTON EXCHANGE, NEW YORK, N.Y.

Mr. RHODES. Mr. Chairman and members of the committee, my name is F. Marion Rhodes. I am president of the New York Cotton Exchange and I am appearing here today on behalf of that organization. Prior to 1960, when I became president of the cotton exchange, I had served in the Department of Agriculture for 27 years; for the latter half of that period I was in charge of the cotton program.

Let me say at the beginning that I welcome the initiative of the distinguished chairman of this committee in introducing H.R. 8149. I think I can say flatly and without fear of contradiction that the cotton economy of the United States is in trouble and that this trouble is very largely due to the Government cotton programs which we have been pursuing. The need, therefore, is for a new cotton program, if we are to solve the problems that beset cotton and give the cotton economy some promise of visibility and growth for the future.

It has been difficult to devise a new program which would not incur attack or objection from some segment of the cotton economy. Presumably, this is why the President failed to include proposals for cotton legislation in the omnibus farm bill which he submitted to Congress. I believe that since that time the situation has improved somewhat. I, therefore, welcome the bill introduced by the chairman

because it can act as a catalyst in developing a cotton program that is capable of dealing with the realities of the cotton situation.

Although H.R. 8149 is a step in the right direction, it does not go far enough. Before I deal with the particular elements of the cotton bill which we believe will do the job, let me review some of the elements of the cotton situation since it is only through a proper diagnosis that we can develop the correct cure.

The problems of cotton can be summarized as follows:

(1) U.S. cotton producers are no longer sharing in the growth of markets for cotton, but instead are losing ground to manmade fibers at home and to foreign growths abroad. We have barely been able to hold our cotton production level while production around the world has been rising sharply.

In 1945 foreign free world production (exclusive of the United States) was 8.5 million bales; for the marketing year 1964-65 this production is expected to be 22.5 million bales—the fifth consecutive year of record production. Over this same period the Communist countries have more than tripled their cotton output; and over these same 20 years—despite an increase in population of 50 million people—U.S. cotton production has remained static. In recent years production has exceeded consumption plus exports, leading to the buildup of large inventories. This static production in the United States has required less and less acreage since yields per acre are today at least double what they were 20 years ago. Quite obviously this is an intolerable situation so far as the American cotton producer—particularly the efficient producer—is concerned.

(2) Our export situation has seriously deteriorated. Where we were at one time by far the major cotton exporter of the world, foreign exports have been rising sharply since the late thirties when the U.S. Government began its support of cotton with loans that were higher than market price. Our share of the world market has steadily declined since that time. In the 1925-29 period, we accounted for some 60 percent of the world market; in the 1960-64 period for 30 percent. Our exports this year are not likely to be much above 4 million bales, down from 5.6 million bales last year. Had we been able to keep our share of the world market that we enjoyed in the late fifties, our exports this year would have been about 7 million bales and we would have been earning for the U.S. balance of payments an additional \$400 million in cash income.

Not only have our exports been declining but, in contrast to our overall trade statistics, the percentage of our cotton sold for free dollars has been declining in recent years. This reflects loss of sales to competitors in our traditional markets of Western Europe.

(3) Cotton has also been losing out in the domestic market to manmade fibers. Although our actual domestic cotton consumption went up somewhat in 1964, about 800,000 bales, cotton's relative share of the textile market has continued to decline from about 85 percent in 1930-34 to less than 55 percent in 1964. Even in the last 2 years this decline has continued—from 55.7 percent in 1963 to 54.5 percent in 1964.

The downtrend has also been in evidence in relative per capita consumption by U.S. mills. This has gone down from 31 pounds in 1945-46

to about 22 pounds today while per capita consumption of manmade fibers has risen.

(4) The end results of these trends are twofold.

(a) Carryover of cotton in the United States has gone up. By August 1 of this year the Department of Agriculture has estimated carryover at 13.6 million bales and many of us in the trade feel that it will go over 14 million bales. This is an increase of almost 2 million bales over the year before and would come close to the largest carryover in history—14.5 million bales in 1956. In effect, the United States will be holding almost all of the world surplus of cotton. We are not only the residual supplier of cotton in world markets, but we are underwriting the supply of other countries with our large and expensive stocks.

(b) Large carryovers mean large costs to the taxpayer. Taking into account all elements of the cost of the cotton program, the total cost for the year ending July 31, 1965, is estimated to be between \$900 million and \$1 billion, compared to the anticipated cost of \$481 million. By contrast, the total value of the U.S. cotton crop is about \$2¼ billion. The ratio of cost to value is more than 1 to 3.

The source of all this difficulty, I believe, is clear: cotton has not been permitted to compete effectively in either domestic or foreign markets. The root of the problem is the above-market Government loan to producers. The effect is that cotton is driven into storage instead of moving into the normal channels of trade through the marketplace to the consumer.

The effect of this policy is most clear in export markets. By fixing the export price of cotton we have given our foreign competitors a stationary target to shoot at. We have in effect held a price umbrella over foreign production and assured foreign producers a ready market for their output. We have become the residual supplier of cotton in the world market. If things continue as they are it will not be long before we lose even the 4-million-bale export market which we enjoy today.

If that happens and if we fail to secure a growing share of the domestic textile fiber market, the cost of the program will rise even more and irresistible pressures will develop that, at the very least, will result in substantial cutbacks in acreage and production for the United States. H.R. 8149 provides for a 2-million-acre reduction in the minimum national acreage allotment; unless we deal with the problems of cotton realistically, that will be only a beginning.

This committee and this Congress has an unparalleled opportunity this year to write cotton legislation that will solve the cotton program in a realistic and constructive manner. In order to do this, we must reach the root of the problem which is the above-market loan. Prices must be permitted to adjust in response to market forces; to accomplish this, the loan—if there is to be one—must be fixed at a sufficiently low level so as to avoid interference with the marketing of cotton. It is only through the expansion of cotton consumption at home and abroad that the cotton producer in the United States can have any real hope for a solution of this problem. A below-market loan should be supplemented by means of direct payments to producers in order to afford protection for producers' income. Such payments should be made only after the farmer's production has entered the channels of trade.

I am pleased and encouraged to note that, in his report to this committee on H.R. 8149, the Secretary of Agriculture supported this position. I quote the appropriate passages from the Secretary's report:

Legislation which would authorize loans by CCC near world price levels with supplementary payments to producers participating in the program would be more flexible and would enable the market to determine prices. Otherwise the price level would be directly tied to expenditures by the Government, as under present procedures. Under such a program, it might be possible to increase exports without so drastically increasing Government expenditures and still maintain farm income at reasonable levels * * * we would recommend a loan near world price levels with supplementary payments to producers participating in the program as an alternative which would be more beneficial to U.S. producers in the long run.

As I noted at the beginning of my statement, H.R. 8149 does take two steps of a constructive character:

(1) It would permit—although it would not require—the Secretary of Agriculture to make direct payments to cotton producers.

(2) It eliminates the useless and burdensome bonding requirements which the Secretary of Agriculture imposed upon the cotton trade last year.

These are important changes, but they do not go far enough. We believe that H.R. 8149 should be amended in two respects:

(1) It should provide a sufficiently attractive income payment direct to the producers so as to remove any incentive for the producers to put their cotton under loan. Clearly the simplest and most direct way to accomplish this is to reduce the loan substantially below the world price level.

(2) It should specifically provide that direct payments to producers be made only after the producer has sold his cotton.

I would merely add that provision should be made for the insulation of existing stocks of cotton in order to avoid disruption of markets.

Certain producer groups, while recognizing the merits of this approach, have expressed concern about it because they feel that direct payments would be an invitation to a limitation or ceiling on such direct payments. We would oppose any limitation on direct payments. Moreover, I have not heard any member of this committee or the Congress express support for limitation on direct payments.

It should be recognized that the direct payments approach is not a new one; it would merely be an extension to cotton of an approach that is already widely and successfully used in other farm programs. In fact, this approach is the chief method being used to assure farmers of a fair income. In fiscal year 1965 expenditures on direct payments are estimated at approximately \$2 billion; in comparison, net spending on producer loans for the same period is about \$1.5 billion. Direct payment programs are in force for wheat, feed grains, wool, and sugar. Yet these programs are going forward. There is no more reason to expect limitations for cotton than for any other agricultural program.

We believe that the kind of cotton program we have outlined here today would benefit every segment of the cotton economy;

(1) Producers' income would be protected over the long and short runs.

(2) American textile mills would continue to be assured of a supply of cotton at world market prices without being accused of being the recipients of a subsidy as under the present law.

(3) With cotton moving into the market instead of Government inventories, the cost of the cotton program will be reduced.

(4) Only such an approach can help save the export market for American cotton with direct and important benefits to the U.S. balance of payments.

The CHAIRMAN. Thank you very much, Mr. Rhodes, for your statement. You know that we hold you in very high esteem for the work that you did when you were here in the Department in Washington.

I have some questions.

What would you suggest that the Department should do with the 14 million bales of cotton that is now under the loan? What should the Department do with this?

Mr. RHODES. Mr. Chairman, I think that it would be necessary to insulate this to a certain extent; that is, the 14 million bales that we now have.

The CHAIRMAN. I notice that you used the word "insulate." What else would you suggest?

Mr. RHODES. I think that we should also adjust our acreage allotment program so that we would use a certain portion of the carryover each year until we work it down to normal proportions.

The method of insulation could take several forms.

At the present time you have 105 percent plus carrying charges of the current support price as your CCC resale price. That could be increased to something higher. That is one method.

The American Cotton Shippers Association, last week, recommended that the price be fixed on release of, say, the first million bales at a specified level and then the next million bales at a somewhat higher price, and so on.

I think there are many ways that it could be done, but I think that it is necessary to keep the total weight of these 14 million bales from being on the market at the time that the producer is selling his current crop of cotton.

The CHAIRMAN. We subsidized our exports at about 8½ cents a pound and that was in competition with the manufacturers of our own manufactured goods. But that did not move the cotton out. Can we go further than that and pay more, do you say?

Mr. RHODES. I think the way the 8½ cents was handled, had a lot to do with the fact that it did not move out. In my opinion, the level of export prices would have been adequate to have moved a great deal more cotton had we had a free market. Since 1956 when we started the export program; that is, subsidizing exports, we have never had a free market where the world knew that our cotton was going to be sold in competition with theirs.

The CHAIRMAN. We had a bad situation in 1955 and 1956, and we tried to curtail production to remove that situation. We came up with more production. The cost of the entire program was tremendous, something like \$6 or \$7 million. I do not know the exact figure.

Mr. JONES of Missouri. Will you yield?

The CHAIRMAN. Yes.

Mr. JONES of Missouri. First, I think that as a member of the committee I should explain a little bit more about what Mr. Rhodes has done.

He comes from Missouri. He is a cotton farmer. He still owns land down there. He was with the Department of Agriculture and is now

with the New York Cotton Exchange. So that he has had three different positions in the cotton business.

Following up what the chairman has said, Mr. Rhodes, over the years you have been connected with cotton for many years. I have always been under the impression—and I gained this impression after I had been up here rather a short time, that because of the influence of the State Department that they intentionally and probably with the best of intentions, wanted everybody else to get rid of their cotton before the United States did.

Now, since you are not with the Department of Agriculture any longer and you do not have to carry out the administration views, either under the Republican administration or under the Democratic administration, while you were implementing the Government policy when you were there, could you tell us now if you think that if the United States had followed a different policy and had gone out and actively been interested in selling cotton, that we would have avoided the position that we are now in? Could that have been done if we had adopted a different policy during that time?

Mr. RHODES. Mr. Jones, I would say that if we had adopted a different policy we could very largely have avoided the buildup of our large stocks that we have today. I would not attribute this, necessarily, to the State Department. In my opinion, our difficulty arises from the fact that we have not allowed normal marketing processes to function for nearly 10 years. As a result of this, all of the cotton-producing countries throughout the world have felt that we were only in the cotton business on a temporary basis, that we really were not going to be competitive, that they could just keep on growing more and more cotton and underselling us by 25 or 30 points and that we would not really stay in the market and fight them. Had we taken a different approach and let cotton move through normal trade channels at the same price to our domestic mills in this country and to all foreign exporting countries, and remained on a completely competitive basis in the open market, I do not think that we would have anything approaching the amount of carryover we have today.

Mr. JONES of Missouri. Just one further question. There was a period—I know this—one time when we could have sold cotton, and the State Department did say that we wanted to help out some of these developing nations, that they needed to sell their cotton, and that they were no able to hold it and so that we actually withheld cotton from the market at a time when we could have been selling cotton. And as you say, it was a Government policy that we did not tell the world that we are in this—that we are going to sell cotton. We did not take that position at a time when it was needed—is that not a fact?

Mr. RHODES. It is a fact that we did not convince the world that we were going to stay in the market at any cost. And that, of course, I think, was largely due to the overall basic policy of the Government to protect and foster some of these developing countries.

Mr. JONES of Missouri. And at the same time we were going into some of these countries—and it is difficult to say that we should not have been helping some of these countries—and at the same time we were encouraging them to get into it with the high loan price that would guarantee them a price at which they could not lose and we were sending technicians to help them to produce it, and on top of that we

were holding from the market cotton at a time until the other countries had gotten rid of their surplus. It seems to me that the whole thing we were doing was to go a little overboard to try to help some of these developing nation.

I think that we have gotten ourselves in trouble by that policy. This has occurred to me for a long time. I do know there have been periods when the administration took steps which were not in the best interests of our home producers. I do not think there is any question about that. I think it is time now that we do something, because of the action that we took in the past, that the administration now should try to do something to help these people that they helped destroy and put in this position.

I thank you.

Mr. RHODES. I think you have put your finger right on the real crux of the problem, and that was the thought that we maintained a high loan level which was, in effect, an umbrella over foreign producers. This gave encouragement to countries throughout the world to greatly increase their production of cotton. We all know that when they produce cotton they are going to sell it, because they do not have the financial resources to do anything but sell it.

The CHAIRMAN. That is all right—that is a post mortem. The fact remains now that we are dealing with a problem of a substantial magnitude. You mentioned the fact that we could sell several million bales of cotton in export; that we could increase our exports to 7 million bales more if we were selling it at 13 to 16 cents. You cannot grow it at that world price in America. What is going to happen to the farmer?

Mr. RHODES. What I said, Chairman Cooley, was that if we had maintained the same share of the market that we enjoyed in the late 1950's that we could now be exporting about 7 million bales.

The CHAIRMAN. Suppose that you had done that and the world price had come down to 16 cents. Do you know any farmer in America who wants to grow cotton at 16 cents or 17 cents a pound?

Mr. RHODES. No, I do not think that the farmers can grow cotton, generally speaking, for 17 cents a pound, but I do not think that we should expect the farmer to grow cotton for 17 cents a pound. I think that we put out a billion dollars this year to run a program that would not work and that we could take one-half of that amount and have a program that would work.

The CHAIRMAN. What do you mean?

Mr. RHODES. Let the market operate, then pay the producer the difference between the lower loan level and the support price—whatever level you want to bring it up to.

The CHAIRMAN. I do not believe it is correct to say that the program has not worked. It has worked. It has increased the consumption by 900,000 bales. It has revived the whole industry. The industry has modernized its plants. They have put up a billion dollars to increase and improve their existing equipment. They have passed along the benefits to the workers. There have been two or three increases in wages. They have not accomplished everything that one would like to have had accomplished but it has only operated for 10 months. I think that we must do something, however, because otherwise we will lose out.

Mr. JONES of Missouri. There is one thing that I think I should say, if I interpret it correctly, that Mr. Rhodes was not saying that the program of the past year was wrong—he was speaking of the program farther back than that. It has not been successful, because we have built up these stocks by a policy that we have followed throughout the years.

The CHAIRMAN. We got involved in it and could not get rid of it. We tried two or three times. We lost every fight on this. And we now have 8½ cents on the subsidy question, which is a factor in the picture. That is an important factor in the cotton picture.

Mr. JONES of Missouri. I am going back beyond the last bill that we passed. I am going back to the policy that we followed for 10 years before that.

The CHAIRMAN. That has been the policy.

Mr. JONES of Missouri. I am not complaining about the policy—about the subsidy alone. Mr. Rhodes brought out the higher price support that we had which did serve as an umbrella, and the fact that we were setting ourselves up as a residual supplier, as a matter of policy. That is the thing that got us into trouble. And I still say that. I do not agree with these people who say that if we export several million bales of cotton that the price will go down to 16 cents or 17 cents a pound, because while we cannot produce cotton at that price, these other countries cannot produce cotton at that price, either. We have to do something to discourage the production of cotton by some of these other countries who have taken over the market that we normally had.

We had the same thing happen in wheat. At one time we were selling one-half of the wheat in the world.

I remember that we had a member of the State Department before us, and he was talking about what was a fair share of the world market for the United States and he hemmed and hawed around a long time, and finally he came up with the statement and said that he thought that we would have 30 percent—that would be a fair share, although we had had much more than that before.

We just keep accepting these reductions to help other people out. I believe in charity, but let us start a little bit of charity at home on this thing.

Mr. TEAGUE of California. As I recall, one of the principal points made for the current cotton program was that it was designed to increase the consumption of cotton domestically as contrasted to other fibers. This has not been the case; is that right?

Mr. RHODES. In my opinion, the increase in the domestic consumption of cotton in the United States during the current marketing year will be about 800,000 bales.

Mr. TEAGUE of California. I am talking about it in comparison with manmade fibers.

Mr. RHODES. You are correct. The increase in manmade fibers has increased at a higher percentage rate than the increase in the consumption of cotton.

Mr. TEAGUE of California. In that way the program has not been successful.

Mr. RHODES. To be entirely fair I should say that the increase has been slowed down, that is, the difference between the two—cotton has

made some gains in the past year. I would like to add at this point, if I may, Mr. Chairman, because if I understood you correctly I think you maybe thought that I am opposed to the U.S. mills getting cotton at the same price that the foreign mills pay. I have always advocated that the American mills should be able to buy American cotton at the same price that it is sold to anybody else. I testified that way before this committee last year and I have testified that way many, many times before when I was in the Department of Agriculture.

The CHAIRMAN. Your testimony suggests to the gentleman from California that the cotton bill has not slowed down the increase in manmade fiber use. But, actually, you now say that it has.

Mr. RHODES. The facts are, though, that the percentage increase in manmade fibers is greater than it was in cotton in the current year.

The CHAIRMAN. Because the cotton bill tended to bring it up.

Mr. RHODES. Entirely possible. The real crux of this problem, in my opinion, is the fact that we have built up nearly 2 million bales more in our carryover. We have used 800,000 bales more domestically, but we also have nearly 2 million bales more in our carryover this year than we had a year ago.

The CHAIRMAN. Mr. Vigorito.

Mr. VIGORITO. I would like to make a few comments.

Everyone coming before this committee keeps complaining about the cotton industry losing its position in the world, and so forth. The heyday of the cotton industry, if you want to carry it back that far was in the 1850's. That peak was in relation to the rest of the economy, the world economy: that was the heyday of the cotton industry. It has declined steadily ever since then for the last 100 years. The domestic industry, like other industries has declined relatively.

To make my point clear, our steel industry at one time produced over one-half of the world's steel. Today the U.S. steel industry produces only 25 percent of the world's steel.

At one time we produced more than one-half of the world's automobiles. Today we produce less than one-half the world's automobiles. Other countries have increased their output at a much faster rate than the United States.

We cannot keep trying to maintain our same relative position in all industries. We have decreased in our cotton industry. We have to accept the fact that we will produce and consume a smaller and ever-decreasing percentage of the world's cotton. That fact cannot be changed. I do not care what program this committee can come up with—that will never be changed.

Everyone is coming here crying, but no one has come in with a concrete proposal as to what to do. I have yet to hear anyone state what the industry itself is doing to help itself. What can the cotton industry, the producer of textiles and the others, what can they do—what are they doing to help industry?

Mr. GATHINGS. Will you yield at this point?

Mr. VIGORITO. Yes.

Mr. GATHINGS. I would like to tell the gentleman that only a year ago we held hearings and cotton was 32.47 cents a pound, but after we reported the bill out, we reduced the price of Middling inch cotton to 30 cents a pound instead of 32.47 cents a pound. The farmer's price dropped almost 2½ cents a pound for his cotton during that period of

time from 1963 to 1964 crop year. And now, that 30-cent-a-pound level has been cut back to 29 cents a pound making a loss of nearly 3½ cents a pound in 2 years' time. So there is quite a give and take on the part of the farmer as to what is being done. He is doing his very best to contribute and he has done an awful lot already in that respect.

Pardon me for interrupting the witness.

Mr. RHODES. I would merely like to say that I thought that I had been rather specific about what should be done. I would like to try to reiterate, if you did not understand what I said. I said that the first thing that should be done is to reduce the loan level down to below the world market price for cotton. It would be better if you eliminated it entirely, so far as the operation of the free market is concerned, but that probably is not within the realm of possibility.

The second thing that you should do is to pay directly to the producer the difference between what he gets for his cotton in the market or his loan level whichever is higher, and the support price level which the committee in its judgment decides the farmer should receive. At the current time this is 29 cents a pound. If you take these two simple steps then cotton would move from the farmer to the gin, be ginned, would be sold to the merchant in the town in which it was ginned, and would go from there on through the marketing processes to the mills of this country or across to the mills in some foreign country and you would not be building up the 14 million bales that you now have to 16 million bales a year from now. At the same time you would not be spending \$101 million as you are this year to pay for the interest and carrying charges on the 14 million bales you now have. By next year it will be \$125 million if you keep up with what you are doing today.

Mr. VIGORITO. You are hoping that by these two simple steps that all of the cotton produced can be moved to its ultimate destination? There is no assurance that that would happen—absolutely no assurance.

Mr. RHODES. I understood you to say that we had not made any specific recommendations. So far as I know, the only thing that we are sure of is death and taxes. I agree that I cannot assure you what is going to happen, but I can recommend what I think would go a long way toward curing the problem that we are now confronted with.

The CHAIRMAN. Mr. Callan.

Mr. CALLAN. What actually determines the market price—the world market price of a commodity, wheat, cotton, or anything?

Mr. RHODES. What determines it?

Mr. CALLAN. Yes—what determines what that price will be?

Mr. RHODES. Supply and demand.

Mr. CALLAN. You recommend that we also control the supply in this program?

Mr. RHODES. I think that it would be necessary for the time being, for the next few years to have a continuation of allotments, yes, sir.

Mr. CALLAN. And you want to keep it at 16 million acres the way it is now, or do you wish to reduce the amount of acres?

Mr. RHODES. I think that you have got to cut down the big carry-over. I know of no way of cutting that down except by reducing the production until we are able to sell more cotton. I think that the time will soon come that you can sell more cotton and, probably, you could

use the production from 16 million acres if you set up a program that is designed to sell cotton instead of designed to keep it in storage.

Mr. CALLAN. All right. You do not have any idea, though, where this market price or this world price might drop to?

Mr. RHODES. In my opinion it will drop to a relatively low level for a year or two and then rebound. I think that over a period of time the world market price for cotton will be as high as it is today or maybe higher on a completely free and open market. I think that during the first year or two that you went into a free market operation it would probably drop much lower than that. The first thing that you have to do is to convince all of these 30 or 40 countries who produce cotton that we mean what we say and that we are not going to give in in 6 months and return to a residual supplier.

The CHAIRMAN. You would have direct payments?

Mr. RHODES. Yes.

The CHAIRMAN. To the farmer to allow for the difference in that which he receives and what he should receive?

Mr. RHODES. This is no new idea. I have been advocating this in the Department of Agriculture and without the Department of Agriculture since 1953.

The CHAIRMAN. Mr. Gathings.

Mr. GATHINGS. I feel the committee appreciates your testimony today, as you have been here since last week to present your statement, having remained over to present your views.

You have had quite a background, as Mr. Jones has said, in connection with cotton and with many of its facets.

You speak of a lower level for the loan. Where would you say the low level should be set?

I believe your statement stated that the loan ought to be below the world price. Did you not say that?

Mr. RHODES. That is correct.

Mr. GATHINGS. Where would you put it?

Mr. RHODES. Well, this is difficult to say, but to give you a specific answer I would just say that you could put the loan level at 20 cents and pay the farmer the difference between 20 cents and the price of cotton in the marketplace, whichever is higher and the support price.

In my opinion, the market price would be higher than 20 cents.

If you want me to give you a specific example: Assume that you set the support price at 29 cents, the level that you have today, and that you set the loan at 20 cents, then, you would pay the farmer the difference between the 29 cents that you want to guarantee him and the 20-cent loan rate.

Assuming that price, say, was 21 or 22 cents, then you would have to pay the difference between 21 cents or the 22 cents and the 29 cents. That would be about \$35 a bale. If you pay \$35 a bale on 13 million bales, the program would cost something less than \$500 million as compared to nearly \$1 billion for the 1964-65 program.

Mr. GATHINGS. I want to ask you about this organization that has been formed. What was it called? The Committee for Free Cotton Market? Was that the name of it?

Mr. RHODES. You have it right, sir. The Committee for Free Cotton Market, Inc., that is the name of it. I passed out, last week, a copy of a little booklet that we just prepared which sets forth in rather

simple form the basic situation that we have now confronting us in cotton.

Mr. GATHINGS. You speak of "we"; who is "we"?

Mr. RHODES. The committee was formed jointly by the New York Cotton Exchange and the American Cotton Shippers Association. The committee has two types of membership. We have what we called federated members—other organizations which have joined as members. Of course, we have individual members. We have at the current time 13 or 14 federated members, and we have over 2,000 individual members.

Mr. GATHINGS. Are there producer groups in your organization?

Mr. RHODES. Oh, yes; we have producers in it. We do not have any federated producer members.

Mr. GATHINGS. You are a cottongrower, yourself?

Mr. RHODES. That is right. I have been growing cotton since 1922.

Mr. GATHINGS. You do not pretend to grow cotton for a living?

Mr. RHODES. I would certainly be disappointed if I did not make some money on it. I have a pretty good crop growing right now.

Mr. JONES of Missouri. I can assure you that he is a good cotton farmer down there in our section.

Mr. GATHINGS. I know that he is a knowledgeable man.

Will you tell us some about the reason for the cotton organization?

Mr. RHODES. The federated members that we have today are the American Cotton Shippers, the Atlantic Cotton Association, the Southern Cotton Association, the Arkansas-Missouri Cotton Trade Association, the Texas Cotton Association, the Western Cotton Shippers Association, the Oklahoma State Cotton Exchange, the Memphis Cotton Exchange, the Dallas Cotton Exchange, Little Rock Cotton Exchange, Houston Cotton Exchange, Galveston Cotton Exchange, and the Lubbock Cotton Exchange.

Mr. GATHINGS. All of them contribute to the organization?

Mr. RHODES. No, sir; they do not.

Mr. GATHINGS. How many do contribute?

Mr. RHODES. The New York Cotton Exchange and the American Shippers Association are the only two that are financing the operations of the committee.

I would like to go on, to say, if I may, that we have some 2,300 or 2,400 individual members, and many of them are cotton warehousemen, bankers, and people from all segments of the cotton trade.

Mr. GATHINGS. How much of a slush fund was contributed to your organization?

Mr. RHODES. We do not have any slush fund.

[Laughter.]

Mr. GATHINGS. How much did it cost to put the full-page advertisement in the Washington Post?

Mr. RHODES. \$2,200 or \$2,300, at least.

Mr. GATHINGS. What other papers did you place a full-page advertisement in, if any?

Mr. RHODES. We did not place a full-page ad in any paper. The Washington Post is the only advertisement we put in a newspaper.

Mr. GATHINGS. Pardon me—it appeared like a page to me.

Mr. RHODES. That is good; I am glad it did.

Mr. GATHINGS. It was \$2,300 for that one advertisement?

Mr. RHODES. It is a real good ad. I thought that I had one here, but I guess I do not.

Mr. GATHINGS. And you have a reserve supply of funds to place another ad?

Mr. RHODES. If we wanted to, we could. We are going to do everything that we can to try to get the story across to the American people as to what is happening to this cotton industry. We think it is one of the really great industries of the county. We do not feel that it should be destroyed by the type of program we have today.

Mr. GATHINGS. The first thing that you want to do is to reduce the price to the farmer from 29 cents to 20 cents a pound?

Mr. RHODES. No, that is not what I said at all.

Mr. GATHINGS. That is one of the main recommendations that you brought us here this morning. What you want to do is to cut down the loan—you put it in your statement, you have it in two different places—to cut that loan level down. Then you emphasized that you want to get the loan down below the world price level. That is one of the main representations you made.

Mr. RHODES. I believe that you will have to read the statement again, sir. I think that you completely misinterpreted what I said.

Mr. GATHINGS. I have read it. Is that not what you testified to?

Mr. RHODES. You did not hear what I said.

Mr. GATHINGS. You did say that you wanted to cut this loan down to 20 cents a pound.

Mr. RHODES. I believe you said price support a minute ago. There is a difference, Congressman Gathings, between the price support and the loan.

Mr. GATHINGS. I know a little something about it.

Mr. RHODES. Do not misquote what I say.

Mr. GATHINGS. I just want to say to you that you did say to put the loan down to 20 cents.

Mr. RHODES. Sure, sure; I will say that I have been saying that since 1953, but there is no relationship, necessarily, between a loan level and a support price.

Mr. GATHINGS. In any event, you come in with a revolutionary plan from the shippers and the cotton exchanges?

Mr. RHODES. I do not know that it is revolutionary. It is what you are now doing on feed grains and wheat. And it has been recommended for rice. You have been doing it for wool and sugar for about 15 or 20 years. I do not know whether it is so revolutionary with respect to cotton.

Mr. GATHINGS. You still say that you want to cut the loan level down to 20 cents?

Mr. RHODES. Absolutely.

Mr. GATHINGS (presiding). Are there any questions?

Mr. VIGORITO. I believe that the farmers should be helped even to the point of giving direct relief checks, if you want to call it that, or subsidy payments to use better terminology.

Mr. RHODES. That is correct.

Mr. VIGORITO. The question is: Should we help those engaged in farming where their income is not their main source of income? In other words, I do not think that we should subsidize a farmer unless he is a farmer—unless he gets more than one-half of his income from farming.

Would you have an opinion on that?

Mr. RHODES. I certainly would like to say that I think that one of the biggest problems that has confronted the agricultural programs in the last 20 years is the fact that we have been mixing up a lot of social legislation with so-called farm programs. A lot of the cost charged to farm programs has been to a large extent costs of programs that were designed to help out on the social problems rather than on strictly economic problems of agriculture. I think that there is a lot to what you say, that we must look into the fact that we do not get the two too closely tied together.

Mr. VIGORITO. Thank you.

Mr. GATHINGS. Are there any further questions?

Mr. Callan.

Mr. CALLAN. If the loan was dropped to 20 cents, are you reasonably sure that this cotton would all go into the market, in export?

Is there not a good possibility that even with the loan level at 20 cents that you have overproduction; would not this cotton go into cotton stocks even at that level if you got overproduction?

Mr. RHODES. If you got a substantial overproduction, that might happen; but I would assume that we have now reached the point where we have to cut our production back to the amount that will be used, and if your production during the year was about the same or no more than what was going to be used in the domestic and export markets, why, then, it would all, I think, move into channels of trade.

Mr. CALLAN. Do you not believe that the competition, if we dropped it to 20 cents, that it would go down to 20 cents or below; that is, the foreign competition?

Mr. RHODES. No, sir. In my opinion, if we convinced the other cotton-producing nations of the world that we really mean to be competitive, I think that they would draw back and reduce some of their production. As you know, they have been increasing year after year. I have the figures here for the last several years.

The foreign free world production for 1960-61 was 19 million bales; the next year, it went to 19.5 million bales; in 1962-63, it went to 21.9 million bales; in 1963-64, it went to 22.3 million bales, and for 1964-65, it went to 22.5 million bales. And it is continuing to go up.

If we could convince these nations that we really intended to compete with them, and that we are going out to get our part of the world market, I do not think there is any doubt but what their production would start going in the other direction and that they would grow less cotton than they grow now, and that they would go back to growing some of their feed grains and wheat and things that they need for home consumption.

Mr. CALLAN. Thank you.

Mr. GATHINGS. Mr. Teague?

Mr. TEAGUE of California. As I recall, last week when Mr. Camp from California testified, I gained the impression this morning that your recommendations are pretty much similar to his. Am I right in that impression? If not, how do they differ?

Mr. RHODES. As I understood Mr. Camp, I think he was advocating buying up the allotments outright. I am not advocating that.

Mr. TEAGUE of California. Thank you.

Mr. GATHINGS. Thank you so much. If there are no further questions; thank you Mr. Rhodes for your appearance.

Mr. RHODES. Thank you.

Mr. GATHINGS. The next witness is Mr. Harry L. Graham of the National Grange, its legislative representative.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, THE NATIONAL GRANGE

Mr. GRAHAM. Mr. Chairman and members of the committee, I am glad to have this opportunity to testify concerning this important commodity and add one more voice to the confusion that exists at the present time.

Last Thursday, during its deliberations, this committee and the attending audience interrupted these important proceedings to witness a spectacular display of modern technology in the launching into orbit of the Gemini project. When we consider the infinitely complex mathematical and engineering computations, coupled with unerring human judgment which were a part of the perfection of this latest, as well as previous launches into the far reaches of space, then we are given reason to hope that the solution of problems as complex as those which are before this distinguished committee can be solved rationally, constructively, progressively, and in the best interest of both the producers and users of agricultural products. The results may not be as spectacular, but the benefits should be as long lasting.

There is no single farm problem. What we have confronting us as agricultural leaders in the private sector and in the Government today, is a combination of economic problems, social problems, problems of domestic politics and international trade. The economic problem is characterized by the "cost-price squeeze." It is interwoven into social problems, particularly in areas where producers are trying to eke out a living on marginal land and on marginal-sized farms. These problems find their expression in underemployment of the resources that are committed to agriculture, unemployment in areas where alternative sources of employment have not been made available, migration, the instability of the social institutions left behind and the vastly increased problems of the social institutions into which many of these formerly agriculturally employed people have migrated.

The domestic political problem rises from the fact that, in general, the farm people and much of the public have been misled into believing that only two alternatives are available for American agriculture: either the farmer must become dependent upon the Government for his income, or he must become subservient to a "free market." Deep philosophical cleavages have arisen, which leaves the public servant engaged in agricultural legislation and administration with a considerable amount of opposition regardless of the decision he makes. The Grange is, therefore, continually grateful to the chairman and members of his distinguished committee for their courage, statesmanship, and judgment which they display under such adverse circumstances.

This is all the more unfortunate, because, in the judgment of the Grange, as expressed repeatedly by the resolutions developed on a

grassroots basis after much careful and sometimes tedious consideration, the position arrived at by the delegates, indicates that they are not in favor of either of the drastic alternatives that are presented to us, but that they prefer a modification of both of these views, with some dependence upon the market, but not exclusively so, and some dependence upon the Government, but not exclusively so in that area either. Although this position is more difficult to define, it is to all intents and purposes a third or a middle way in which we believe the majority of the American people want to proceed.

In the international field, there are the complicating problems of balance of payments, access to markets, subsidized exports, substandard wages and working conditions in competitive countries, and the whole problem created by the fact that the emerging nations must begin their economic development by the production and sale of agricultural commodities.

In the light of these circumstances, we consider the problems of the cotton industry. These had their beginnings at the end of the First World War when our two major export crops, cotton and wheat, lost a substantial share of the world market in the depression which followed World War I. During and after this time the American economy began to develop and expand more rapidly than that of other nations with its resulting high costs of production. At the same time, the farmers, who depended upon export trade for a substantial part of their income, were faced with declining world prices and shrinking markets. The problems that have arisen from this situation have had temporary respite during World War II and the Korean war, but the deep-seated problems remain, and efficient and satisfactory answers to them still elude us.

In the case of the other major export crop, wheat, we were able to overcome many of these problems by the use of a two-price system, with a domestic certificate. This has been the most significant advance and constructive departure from older programs which has been adopted by this Congress in many years, and the adoption of the program which was recommended by the Wheat Subcommittee of the Agricultural Committee of the House of Representatives will be a further and significant advance toward the solution of this problem.

Unfortunately, this program cannot be used for cotton, because the foreign made cotton textiles produced in this situation center back into our domestic market in competition with our higher priced textiles which must be the result of a higher priced domestic and labor coupled with a price for cotton exports that is reasonably competitive in world markets.

Furthermore, as this committee well knows, the cotton problem is further complicated by the availability of competitive, synthetic fibers which can readily be substituted for, or mixed into, the cotton yarns. Therefore, both the price of imported textiles and the availability and price of synthetic fibers, both mitigate against any appreciable increase in the market return which farmers may reasonably expect for that part of their crop which goes into domestic consumption.

The economic purists say that in such a circumstance the only thing to do is to permit the economic laws to work their inexorable way and to eliminate the production of cotton from our economic and political consideration. This suggestion, however, disregards the fact that a

significant part of our American economic system is dependent upon a healthy and viable cotton industry, including not only the producers of the raw product, but the ginner, the presser, the spinner, the warehousemen, the millmen, labor, and the ultimate dealer and consumer.

The temporary dislocation of these economic factors in the recent past indicates the severity of the shock to our economic system which would be felt if we were to adopt a program to rapidly and permanently solve this problem on purely economic grounds. Again, as in most of the problems which we face in agriculture, and which are considered by this distinguished committee, the social prices simply are too high to be paid for a solution based solely on the economic considerations.

It is to this end, then, the solution of our complicated economic, social, political and international problems that this distinguished committee is addressing itself and to which the National Grange addresses itself also in a humble and sincere attempt to be helpful to the committee today.

Last year, this committee and the Congress made a significant step forward toward the solution of this problem by the passage of the cotton section of the Agricultural Act of 1964. As a result of this legislation, the whole domestic cotton industry has received an economic transfusion that has brought renewed vigor to the industry. Mills have been modernized, wages have been increased, consumption has increased by 900,000 bales, and we have been able to purchase precious time which is needed to enable the producers to make the economic adjustments which are mandatory as a result of the present situation.

Unfortunately, the program did not stimulate the export sales of the raw product, and also doubly unfortunate, was the fact that the cost of the program is considered by those responsible for the administration of the tax money as being too high. We are not willing to concede this latter point. We will concede that it is expensive if it is considered to be a "farm program." However, as we have pointed out, the benefit has been largely passed on to the handlers and processors of cotton, including labor, and little of it has accrued to the credit of the agricultural producers. Any criticism of the expenditures under this program should certainly be conditioned by a recognition of the widely dispersed benefits of the program. The benefits have been largely passed on to the handlers and the processors of cotton. That is the kind of bookkeeping system we have in the Government, that we charge again to agriculture the price for the cotton used in PIK payments, although it has previously been charged at the time it was purchased. And, so, if we would consider the PIK payments in terms of all of our original commodities, we would find that the cost of the farm program is considerably lower than the current cost accounting shows these programs to be.

This does not mean that we consider the program to be perfect. Certainly it has some problems that are deep seated within it, and the chairman of this committee has properly recognized some of them, and is to be congratulated for the introduction of the legislation which has been presented to this committee for its consideration at this session. Our organization also commends the chairman for his open-mindedness in presenting this as a basis for discussion, and for his and the committee's careful considerations of alternate proposals.

The National Grange has also been, and is, seriously considering the ramifications of this program and its relationship to the other farm programs and, as it usually does, weighing the present program, not only as it relates to the problem of the cotton sector of our economy, but to terms in its relationship to the rest of the farm programs. We do not believe that farm programs have been too expensive. We believe that the consuming public and the American taxpayer has been amply rewarded for their expenditure on farm programs by very high standards of living at the most reasonable costs in all the history of the world. Again, we say that the American consumer today, on the average, lives in greater comfort and has available to himself and his family a greater quantity of high-quality food than was available even to kings and emperors of a century ago, and the lowest cost in history. However, we do recognize that the continual drumfire of criticism about the cost of the farm programs, part of it coming from the agriculture sector itself, has had its effect, and the political realities of today mandate that we must exercise every bit of prudence and judgment that is available to us. Political necessity demands that we must make a sincere attempt to reduce the cost of the programs to the taxpayer.

This we have done in the case of wheat and, to some extent, in feed grains. We have asked the producers to take the economic loss that was necessary in order to stabilize the industry and to reduce the opposition to the beneficial programs which they are privileged to participate in and to enjoy, and their sense of responsibility to the general welfare has led them to accept this position.

The attitude of the Grange concerning the cotton program is the same. While we are willing to defend this expenditure as justified and prudent, we also recognize the political implications of continually increased farm program cost.

After due deliberation, the 1964 session of the National Grange in Atlantic City adopted a resolution which stated the position of the organization toward the problem of cotton, a resolution which largely originated in the North Carolina State Grange which had adopted it after the same kind of careful consideration which was given to it later in the national session. This resolution reads as follows:

Resolved (1) That the National Grange urges the continuation of Public Law 86-172, which permits the release and reallocation of unwanted cotton allotment acreage each year; (2) We oppose the soil bank program for cotton acreage in any form either mandatory or voluntary; (3) That the National Grange favor for cotton the uniform reduction of the national allotment for keeping supply in line with demand if adjustment in supply is needed in 1965; (4) The National Grange favor adjustments in the laws and regulations affecting the redistribution of cotton acreage allotment in each country and State which will accelerate movement of it on a permanent basis into the program of bona fide cotton farmers, yet without being inequitable to any cotton allotment holder; (5) That the National Grange strongly oppose reduction in 1965 of the base cotton support price below 30 cents per pound Middling 1-inch at average location; (6) That the National Grange recommend extension by the next Congress of the cotton provisions of the Agricultural Act of 1964 for not less than 3 years; (7) That the National Grange favor retention of the parity principle in legislation affecting determination of the cotton price support; (8) That the National Grange urge increased USDA appropriations for acceleration of research on cotton production practices which will lower the cost of producing cotton with emphasis on eradication of the boll weevil.

Resolution No. 347 by Caldwell.—Adopted.

I notice that one of the major farm writers said in his article that appeared yesterday that we did not have a cotton program. I think, probably, this suggests that we do.

The objectives of the Grange cotton program thus outlined are:

1. To strengthen the family farm;
2. To preserve farm income with minimum cost to the Government;
3. To increase the export markets, or to reduce surpluses; and
4. To balance our available supply with the market demand.

You will note that the resolution begins with a statement concerning the release and reallocation of cotton acreage. This is one of the stickiest parts of the whole cotton problem and one which we believe has to be answered before anything else can have the effect of permanent solution. Without the availability of the cotton allotments which are historically credited to all of the States, and which are not presently being used by their owners, the family farm could not exist in the areas of the Cotton Belt which are characterized by relatively small operations. Release and reallocation are absolutely mandatory for the maintaining of family farm income and for the preservation of the largest "dollar earner" for farms in many counties of the Nation.

You will also note that the Grange policy statement begins with an attempt to answer the problem which is created by the movement of production of an important agricultural commodity, out of an area into another producing area. Probably there is no place where the effects of this movement and the results of a failure to adapt the productive patterns of the area to increasing mechanization and technology so much as in North Carolina, and in general, the cotton-producing areas of the Southeast, although by no means confined to the Southeast.

The passage of Public Law 86-172, which the Grange supported, which permits the release and reallocation of the unwanted cotton allotment acreage each year was, and is, in our judgment a temporary answer to a more permanent problem. This law preserves the productive history in its original area and prevents sudden and dramatic shifts in our economic patterns. Other suggestions have been made concerning this acreage besides the general and unacceptable one that it be allowed to flow into more economically productive areas. These are the transfer by sale or lease of these allotments, and the application of the soil bank principle to this area.

The Grange has opposed the use of a soil bank in this area which has already taken the major share of the reduction in production of the total of the Cotton Belt. We have supported and still support the transfer of allotments by lease or sale, to enable them to be consolidated into efficiently sized units as the only reasonable permanent solution to the problem of the survival of the efficient family farm. In the Southeast, we believe the criteria laid down by the Department of Agriculture to be in error when they suggest that they would not permit the consolidation of bases to exceed the average of the bases in the State. The fallacy of this concept is that the average, considering the extremely high number of very small allotments, would still be too low. A more reasonable solution would be, in our judgment,

the application of the principle that has already been used concerning sugar. This would be to limit the consolidations to efficiently sized units determined by the best information that is available. If the suggestions which have been made concerning the transfer of allotments are acceptable to the Department of Agriculture, we have reason to believe that a substantial part of the cotton producers would no longer oppose such transfers.

A second problem which arises from the transfer of bases is presented by the State of Texas. We need to recognize that Texas is one State that has about five separate areas in terms of productive patterns and interests. Incidentally, if I remember my history correctly, the State of Texas was admitted to the Union with the reservation that it could become five States if it wanted to: the only exception that was made to the administrative procedures of admitting States. In the State of Texas, due recognition should be given to area considerations and the areas should be given the same protection against the movement of these allocations of acreage allotments as is given to the other States. The fears of the east Texas producers already stated to the committee could thus be removed.

The problem of adjusting our concepts of retaining the release and reapportionment features of the present bill, using suggestions for a cropland adjustment program as a part of the answer, the use of diversion payments for not producing cotton on the allotments that are under 15 acres in size, and the recommendations of the Department which we have supported for the sale and lease of allotments, presents a rather complicated problem, but one which we do not believe is insoluble.

We believe that the suggestion made by Mr. Heidelberg of the Uplands Cotton Growers, Inc., represented a substantial concession on the part of the small producers and should have serious consideration. The heart of this suggestion is that the protective features of the program should be reduced to 10 acres, instead of the present 15 acres. In our own testimony we shall consider the diversion payment concept a little later. At this time, we will only say that the application of diversion payments to the 10-acre-and-under allotments on precisely the same basis that it is applied to those larger, would solve the problem raised by the objection of the substantial, if not overwhelming, number of cotton producers, who want to retain the release and reapportionment program.

This proposal would not permit payment for the retirement of whole acreages, but would leave the remainder of these small allotments for either planting or release and reapportionment. The determination of the use of this land, therefore, would still remain in the hands of bona fide cotton farmers. It would also have the added beneficial effect of making it more desirable on the part of the allotment owners to sell or lease these very small allotments that have no particular productive value for the present owners. This would then be moving toward a more permanent solution of the problem. Until these small allotments are consolidated into efficiently sized units, any application of acreage reduction principles will inevitably and perhaps unfairly shift the major share of the burden for these adjustments to the commercial growing areas with substantially larger acreages.

We call attention again to the third part of the National Grange cotton policy statement, which says:

Resolved, That the National Grange favors for cotton the uniform reduction of the national allotment for keeping supply in line with demand, if adjustment in supply is needed in 1965.

The National Grange has consistently held that production controls and production adjustments should be measured in terms of the marketing unit which is used for the commodity in question. We have also held, and we think that experience has proven us correct, that, in general, acreage controls have been an ineffective means of relating production to the demands of the market. Therefore, we would state as a matter of principle, that we believe that any kind of controls that are placed on cotton should be measured in terms of bales rather than acres.

However, we are aware of the fact that the technological revolution in the production of cotton has not equally progressed in all segments of the country, and that until such time as this is reasonably well completed, that a premature application of this kind of control would work undue hardship on some areas of the country. This is especially true if the adjustments in terms of the size of the production unit which could be brought about by lease and transfer of allotments were not already completed.

It is also apparent that the 16-million-acre minimum allotment is an unrealistic level. We are aware of the fact that cotton producers are now facing exactly the same problem which was faced by wheat producers in their attempt to preserve the 54-million-acre minimum allotment for wheat. This kind of a program got all of us in trouble and was one of the reasons for the increase in the carryover of cotton. Obviously, something will have to be done to reduce the amount of acres which are being planted into cotton.

In this situation, it would appear to the Grange that the suggestions which have previously been made by Congressman Poage—and if I may say parenthetically, were made at precisely the right time—to apply the diversion payment principle which is included in the feed grains and wheat programs offers an opportunity for a compromise which should be acceptable to all parties and which would help us bridge the period of time which is required for the other adjustments which might be obtained by the consolidations of inefficiently sized acreages. We would, therefore, approve and support the use of the domestic allotment payments as diversion payments. These might be based on a gradual scale of 4 cents per pound for those who would reduce their production by 20 percent, 5 cents per pound for those who would reduce their production by 30 percent, and 6 cents per pound for those reducing their production by 40 percent. You have noticed that I said these might be based this way. You have not been able yet to get the cost figures from the Department to apply this precise principle, and, therefore, we are saying these are not hard and fast figures, but subject to the cost interpretation that might be placed on them by the experts in the Department of Agriculture.

We would emphasize that these payments should be available and made for all sizes of allotments, without any regard to previously established minimum acreage requirements. We would also emphasize

that, until the previously mentioned inefficiently sized acreage consolidations are effected, there should be no payments made for the retirement of whole allotments.

In the case of the allotments which are underneath an established minimum size, and in order to continue the family-sized farm operation which has come to be dependent upon the release and reapportionment principle, legislation permitting this reduction just recommended should also permit the holder of the small allotments the option to privately negotiate with those who would desire release and reapportioned land and to make a payment to the one from whom this allotment would be temporarily transferred of an amount equivalent to that which the Government would pay for the reduction of production, thus being able to avail himself of the necessary allotments. Again, we would say, however, that this should be only a temporary expediency which should be eliminated as soon as a minimum amount of time which would be given to an opportunity for the initial consolidation of inefficiently sized acreages, would have elapsed. The permanent adjustment of this problem must not be unnecessarily delayed.

The Grange objects to any support level below 30 cents per pound. Middling 1 inch at average location. The 29-cent level for 1965 simply removes the possibility for profitable production of cotton in any but heavily subsidized areas where Government water is available. Any lowering of agricultural income below its present levels in any segment of our agricultural economy is unjustified, unwarranted, and unacceptable, so far as we are concerned.

We are aware that this creates some problems in terms of both our foreign trade levels and our domestic manufacturing programs here in the United States. We do not believe, however, that we can eternally answer all the problems of foreign trade and industrial production costs on the basis of further reduction of farm income.

We would, therefore, recommend a continuance and expansion of the payment-in-kind program for our domestic mills, to enable them to be competitive with textiles imported into this country.

At the same time, we recognize the necessity for the Commodity Credit Corporation to have some flexibility in terms of its ability to meet the market demands and competitive situations that are part of our international trade. We are, however, strongly opposed to any attempt that might be made to enter into an economic warfare with the producers of foreign cotton for the export markets of the world.

We are not going to lose, I might say, all of our foreign markets, I do not believe, if we continue the payments. If we would look carefully at the chart which was presented the other day over here, which was used to indicate that we were still going out of the export business; there were three times on that chart that you charted and put us out of business. If we had charted that same chart in 1946 and had used the same conclusions that were applied to it when we started back in 1956, we would have been out of the export business by 1959. That, I think, is to some extent a cry of wolf. I think we can stimulate our export business, and I think we are going to be in the export business in cotton for a long time within the areas which this young gentleman from Pennsylvania who has distinguished himself here in this committee began to argue a while ago. We are in the situation where all of the world is producing more of everything, and God knows that we ought to, because we are producing more of the first commodity, and

that is babies, and they will grow into people who will consume, and when these people move from being Hottentots into civilized society with a wardrobe they will, obviously, produce and use more cotton. I do not think there is any way around it. The Communist countries that have a surplus and want to sell it for cash to earn dollars for trade in the rest of the world, they are going to sell that cotton regardless of the price to which you reduce the domestically produced cotton. We cannot undersell some of these countries at any price in any commodity. This is just not the way that the world operates today.

As is the case concerning wheat, it would be absolutely impossible for us to reduce our prices, in any reasonable amount that would enable us to capture the markets of the world. Indeed, it would be an economic attack upon our friendly allies, or the nonaligned nations.

We would point out that this program amounts to an indirect subsidy to the speculator. The program that they are suggesting does not do something for the farmers but it does do something to the farmer. The only ones who cannot make money in this whole system, by low prices, is the farmer. Any other level of the industry can make some money by low prices. The farmer cannot. If low prices were to be beneficial, then I would point out that in 1930 or 1932 we would have had the answer to the cotton program. The historical fact is that when we had the low prices we also have had the lowest exports.

The Grange would prefer in this situation, as it has expressed itself in other comparable situations, that we begin to explore the possibility of international trade agreements affecting cotton, the same as those which have already been concluded and are effective in the case of wheat and coffee. In the meantime, some flexibility in export pricing and some export subsidies are, in our opinion, the best temporary expediency.

It is of interest to note that much of the pressure to go into an unrestricted, direct payment program for the difference between the price established by the so-called "market system" and any preestablished, desirable level of price return for the commodity, has been led almost entirely by the shippers' and merchants' association. We, of course, believe that the shippers and merchants have a function to perform in our economic system. We believe they have a right to a reasonable profit for the service which they render to our economic community. We are not in agreement that the best interests of the Government, the producer, or even the shippers and merchants themselves, are always served by an expansion of the opportunity to speculate and, therefore, to manipulate the market.

Furthermore, the same argument that can be used at the present time against the costs of the present programs, would, undoubtedly, be raised against any such program which this Congress might establish by legislative action. Those who are our friends today, and support a substantial tax expenditure in an attempt to establish a direct-payment program, once having accomplished their own ends, might silently assent to the reduction of the income level after having made these incomes entirely dependent upon, not only congressional authorization, but more critically, upon congressional appropriations. We prefer to take our chances with the evils which we know, than to flee to those which we know not. This distinguished committee in its examination of the witnesses proposing such a program has, in our opinion, established the hazards of such a course. We simply want to

add our voice to whatever conviction you already have concerning this course of action.

This program, which we have outlined for the committee with your generous cooperation, is not perfect nor the ultimate answer. We do believe, however, that it contains certain elements which will enable the cotton industry to buy enough time to make the technological and production adjustments which are mandatory before a permanent solution of this problem is obtained. We do not believe the program will be as inexpensive as some of our friends in other parts of Government would desire. It is even more expensive than we would prefer. But we do believe that the economic well-being of vast areas of our country will be sufficiently well served and the general welfare of our Nation will be advanced by a sufficient amount to justify this expenditure.

We also dare to believe this program, if enacted, would meet the stated objectives of the National Grange and our long-time goals of maintaining producer income, reducing Government costs, reducing Government stocks and increasing the use of cotton for textiles both at home and abroad.

The CHAIRMAN. Thank you very much, Mr. Graham.

Mr. Vigorito.

Mr. VIGORITO. I would like to compliment Mr. Graham. I believe that your written statement does take into consideration the economical, political, and social problems that we face today.

The CHAIRMAN. Mr. Gathings.

Mr. GATHINGS. It is good that you have come on at this particular time to follow the gentleman who represented the New York Cotton Exchange, Mr. Rhodes, who just testified. You have brought out the point that we know very well, that the farmer is the one man who cannot live and operate and pay the high prices of his cost of production at the continually lower levels of prices that he gets for his products. You brought that out so well. You have concurred in the program that was brought to us by Mr. Heidelberg, in that the protective provisions of the present law, the 1964 act, of 15 acres, should be made to apply to 10 acres. I do not know what that figure would be, but there would be a considerable program cost saving in that, would there not?

Mr. GRAHAM. I think so.

Mr. GATHINGS. Another thing that you have brought out is to take into account and consideration a program that has been provided by our colleague, Mr. Poage, chairman of the Subcommittee on Feed Grains, the diversion payment aspect. That could work for cotton, could it not?

Mr. GRAHAM. I do not see any reason why it should not or could not.

Mr. GATHINGS. What do you think about the cost of the diversion program for cotton as against the present program cost?

Mr. GRAHAM. We have been trying to get some kind of reading on how much this would reduce the production. And, frankly, we cannot because we have just been kicking it around for too little a time right now, and we cannot get the figures from the Department yet. I think they are working on them; I think they will be available in not too many days, but I do not have them today. I would think that

the cotton industry and the leadership of the cotton industry knows full well that it is in trouble. They are in trouble productionwise, and I believe that there are people that come representing the producers who were asked at this point if this kind of a program were adopted if they would go back and try to get the maximum compliance with the voluntary reduction program. This is a matter of saving their own skins, if for no other reason. I think that we would find enough reduction that it would make some impact on the carryover at least and, probably, reduce it.

Mr. GATHINGS. If the plan works for feed grains, it should for cotton, because feed grains total many more million acres than does cotton.

Mr. GRAHAM. Not only has it worked, but we have cut down the supply of feed grains by one-third.

Mr. GATHINGS. That is a successful operation.

Mr. GRAHAM. Yes; it has worked real well for feed grains. It has worked for wheat. Wheat carryover is at a point now that the biggest squawk we have is not about the surplus of the carryover but the surplus of storage space. We would have the same thing if this thing worked for cotton.

Mr. GATHINGS. You do not recommend taking out a full cotton farm out of the program?

Mr. GRAHAM. We do not recommend that for any program. This is true of not only cotton but the others. In general, no; especially is it true of the little farmer. When you get into 3- or 4-acre farm, if you pay that farmer for taking that farm out for 1 year or 2 years or 3 years or 4 years, at the end of that time you have still got this same little old cotton allotment out there to contend with. We ought to encourage the retention of the 2-, 3-, 4-, and 5-acre plots. We ought to encourage the movement of these into consolidating into some kind of efficiently sized family farm organization. This is our whole point on that. We do not object to their getting the little amount of money that is involved. We object to the fact that we do not solve the problem in doing this. We simply continue it.

Mr. JONES of Missouri. Will you yield?

Mr. GATHINGS. Yes.

Mr. JONES of Missouri. What would you think of letting the small man just sell his allotment to the Government, to remove it from production? You would have some reduction in acreage by that? Would that not be the logical place to reduce the acreage and at the same time to give this man a payment over a period of years to enable him to readjust his operations?

Mr. GRAHAM. That is an alternative. That is not entirely unacceptable to us, except for this consideration; and that is: once that is sold to the Government, when a number of the operators of cotton farms in these marginal producing areas have become almost efficiently sized and have purchased their machinery and have capitalized their operations, there would not be some of this acreage available for them which we previously had. We must simply make more people and their holdings into problems that we now have. What I would think we could do would be to permit a minimum amount of time for the transfer by lease or sale, and then drop what is left over and then pick those up. I think this method would not wreak any great social damage on the areas that are presenting the biggest problems today.

Mr. JONES of Missouri. Thank you.

Mr. GATHINGS. Would you favor the swap bill that Mr. Mills and I have introduced in the past and one which we have in this Congress? You could swap rice for cotton or cotton for rice of comparable value. The Secretary to make a determination of the comparable value of the crop. In cotton a person is geared to its production, he wants to grow cotton for which he has a cotton allotment—he has an allotment for rice, too, but he does not have any water for rice. He prefers to swap it, swap his rice allotment to his neighbor who is engaged in the production of rice, inside of the county. Where he has the equipment to grow cotton, would you not favor a swap provision such as that?

Mr. GRAHAM. I would do that on the substitution clause like we have between wheat and feed grains which is exactly what we do in those cases.

Mr. GATHINGS. It could be like the substitution clause?

Mr. GRAHAM. I do not know how we could support it for wheat and feed grains and oppose it for cotton and rice.

The CHAIRMAN. Are there any further questions?

Mr. Hagen.

Mr. HAGEN of California. I suspect that your views do not represent the views of the California Grange?

Mr. GRAHAM. No, that is correct.

Mr. HAGEN of California. They do not represent their views?

Mr. GRAHAM. That is right. We are not proposing to say that we are unanimous and have unanimous approval of all of the Grange members, because the California Grange did oppose it, but it is the National Grange policy at this time adopted, as I remember the vote, by all of the delegates except the California delegation. I am not trying to fool the committee by saying that the California people would prefer direct payments.

Mr. HAGEN of California. As I understand your position, you would be willing to pay these small cottongrowers a payment for the divergence part of the acreage, but you would not want to pay him for diverting all of it?

Mr. GRAHAM. That is right. We would pay him on the same percentage for diverting the acreages that we would the large grower.

Mr. HAGEN of California. You want to pay him to retire part of his crop but not all of his crop in spite of the fact that he cannot produce efficiently and you would be doing him more good by paying him for complete retirement.

Mr. GRAHAM. There is no amount of payment that you can give to a man with a 2- or 3- or 4-acre cotton allotment that will do him very much good. Let us face that.

Mr. HAGEN of California. You will do him more good if you pay him for not producing cotton at all.

Mr. GRAHAM. The point was made previously that this would simply prohibit the adjustment which had to be made which, in our judgment, is to allow these small acreages to become consolidated into more efficiently sized units. We just put off the day of reckoning, otherwise.

Mr. HAGEN of California. The only value of consolidation is to create a level of farming efficiency as would permit a reduction in the price support levels.

Mr. GRAHAM. This is probably true, too.

Mr. HAGEN of California. I do not know how you can justify a program that maintains inefficient production. I think that ultimately you have got to let these acres go to areas where they can be farmed with less Government assistance.

Mr. GRAHAM. I think you are right.

Mr. HAGEN of California. These inefficient cotton areas are growing in production of eggs, chickens, and cattle and oppose controls which might stop such growth. Yet they want to lock up the cotton acreage. They shouldn't be allowed to have it both ways.

Mr. GRAHAM. I think you are right in terms of the ultimate effect of this. The shift has been going on, we recognize this—everybody does it.

Mr. HAGEN of California. In other words, we cannot do this forever.

Mr. GRAHAM. We did make this point in the early part of the testimony that there are substantial social problems that are created by necessity, such as unemployment, underemployment, migration, and these things. If we push this very fast that happens. This is going on very rapidly right now.

Mr. HAGEN of California. Actually you have many cotton growers who are growing cotton efficiently and selling their product to the market and not to the Government.

Mr. GRAHAM. The release and reapportionment law, if we think in terms of it as a permanent solution—what we are trying to suggest is that there are ways of getting as much permanent solution as is possible by the lease and sale, and then after that I think that we have simply got to take these problems one by one as they come up and to come to grips with them, and it will take us a while to do this. We will take one problem at a time, and then begin to solve that, and then we can begin to take care of the residual problem, but to take drastic problems and solve all of them at one time, I do not think it is possible to be done in the first place.

Mr. HAGEN of California. Thank you.

The CHAIRMAN. Thank you very much, Mr. Graham.

We next have before us Mr. Lynn, Mr. DeVaney, and Mr. Grant of the American Farm Bureau Federation.

**STATEMENT OF JOHN C. LYNN, LEGISLATIVE REPRESENTATIVE,
AMERICAN FARM BUREAU FEDERATION; ACCOMPANIED BY C. H.
DeVANNEY, PRESIDENT, TEXAS FARM BUREAU; AND ALLAN
GRANT, PRESIDENT, CALIFORNIA FARM BUREAU FEDERATION**

Mr. LYNN. Mr. Chairman, we were interrupted last time, you know, by the bells, and these gentlemen remained over, and we thought while they were here it would be a good opportunity for you to cross-examine them if you had questions. All we are interested in is clarifying our position. This is the only reason we are here.

The CHAIRMAN. You want to make a supplemental statement?

Mr. LYNN. We are at your pleasure. If you would like for us to review briefly what was said last Thursday, we will do that.

Mr. GATHINGS. I think that it would be a good idea if you would refresh our minds.

Mr. LYNN. We will turn it over to these farmers.

The CHAIRMAN. All right.

Mr. DeVANEY. On page 2 of our statement—I believe you have copies of it—to get to the main points, point 1 is that cotton consumption did increase domestically but much less than the increase shown by manmade fibers.

Point 2 is that the cotton exports are down and we are talking about what has happened under the present program. We are down by over a fifth from last year, and it may drop even greater.

The third point is the cost of the program ran up to more than \$800 million, far exceeding the cost of the previous program.

The fourth point is that the prices of cotton cloth did not decline as we were told that it would. In actuality, it went up a little bit from April 1964 to April 1965, and at the same time the mill margins increased from 26.19 to 36.49 cents, and then the value of the cotton crop to the cotton farmers went down 8 percent less in 1964 than it was in 1963.

I would call your attention to page 3 of the statement, to the chart on mill consumption of fibers. It shows the increase in manmade fibers and the decrease in cotton.

Then, on page 4, the table shows the increase in cotton is 8.4 percent and in manmade fibers it is 11.9 percent. We can see by this that the current cotton program has not done what we were told it would do.

On page 5, there is also a chart showing the average mill selling price, the raw price of cotton, and the margin that the mills had under that.

On page 6 there is a month-by-month table for 1962, 1963, 1964, and part of 1965 on the cost and the mill margins.

Then, on page 7, we attempted to give you our appraisal of H.R. 8149. We oppose the cut from 15 million acres to 14 million acres as provided in the bill.

The CHAIRMAN. May I interrupt you there?

Mr. DeVANEY. Yes.

The CHAIRMAN. What do you propose to do with the 16 million acres—anything at all?

Mr. DeVANEY. We propose to keep it at that minimum level under our program.

Then, moving to point 2, we are opposed to the compensatory payments being made directly to the farmers, primarily for the reason that history has proven to us that any time we have payments of this type, like our ACP or the soil bank payments—there were limits put on, even though the original legislation did not provide this.

The new program would authorize the Secretary to increase the payments from 15 to 25 percent of the loan rate. We believe this is moving in the wrong direction.

It also would increase the amount to the producers and, also, all cotton producers with 15 acres or less would be paid whether they planted the acreage or not. We feel like this is a social welfare program that you are trying to put into a cotton program.

And fifth, under your proposed program, the cotton producers would receive about a third—many of them—of the value of their crop in payments from the Federal Treasury, and those with 15 acres or less would receive all of their cotton income from the Government without doing anything.

We doubt, under point 6, whether there would be any saving at all in the proposed program, if we can believe history.

And, then, we do not see any improvement in the proposed legislation over the present law. We do not think that it would be helpful on that point.

The CHAIRMAN. What is your position on the release and reapportionment provisions?

Mr. DEVANEY. Our proposal favors the continuation of the release and reapportionment.

I would like to ask Mr. Grant to go through that. I can answer it.

Under our proposal we give the farmer a choice of doing three things: He can permanently release his allotment to the Government by not planting and for a period of 3 years receives a payment of 8 cents per pound times his average production for each of the 3 years, or he can release it and keep his history just as he does under the present law, or he can plant his acreage in cotton as it is under the present law.

The CHAIRMAN. In other words, he could avail himself of the payments for 3 years and then release it?

Mr. DEVANEY. Yes, sir. This is primarily to get those farmers who really are only staying in the cotton business because of the value of the allotment to the land to get out of cotton production.

The CHAIRMAN. What would be the payment, 8 cents a pound?

Mr. DEVANEY. It would be 8 cents a pound times his normal production which, over the belt, is about a bale to the acre—about \$40 to the acre per year for 3 years.

Mr. LYNN. While we are on this point, could I supplement it?

The CHAIRMAN. Yes.

Mr. LYNN. Under the program you are proposing, we are going to pay far more than this to the 15-acre-or-less farmer and have absolutely no title to it. Under the old acreage reserve program, you remember, we bought these allotments once, a lot of them, and we did not get title to them. Why do we not recognize once and for all that this is a problem and use our money in order to solve the problem, rather than to just give it away?

The CHAIRMAN. That 15-acre provision is just a start.

Mr. LYNN. I know that—but the principle is what we are concerned about. That is what we are talking about.

The CHAIRMAN. The whole argument on that has been that if we buy them out they are out of business.

Mr. LYNN. They are out now for all practical purposes. In my home county in South Carolina, we only have three gins left. We are a cotton county. That is in Greenville County, S.C. These fellows who have the 8- and 10-acre allotments, as I do on a little farm down there, we have no intention of growing this cotton any more. But there is an incentive to grow it now in order to maintain the history, because it does have a price.

Mr. DEVANEY. Our program could easily result in the reduction of 1,500,000 or 1,700,000 acres. There are that many acres released and reapportioned. I do not believe that all of them would permanently release it, but I think that there is enough in these areas where it is not really economic to grow cotton that would release their allotments under this proposal.

The CHAIRMAN. In other words, if a man took a lease on it, he would have to sign up to go out of the cotton business.

Mr. GRANT. We have three choices, as was mentioned.

The CHAIRMAN. You have already explained that.

Mr. GRANT. That is correct. We feel that, in the farm bill, we do not want to be any part of the orderly dissolution of the cotton business. We feel that cotton can be sold on the world market. We refer you back to 1950 and 1960 when we did export about 13 million bales with a price-support level at about 31 cents, I believe it was, and we feel that American cotton can be sold in the world markets if we have an adequate subsidy program for the export of cotton.

I was in India in 1961, in January and February, and Indian cotton buyers told me themselves that they would like to buy more American cotton. It was not available at that time. I do not know how much more they would have liked to have bought, but I do know that this is what they told me personally.

Our proposed bill program sets out a decreasing price support. This year, it is already set by the Secretary at our suggested price. And next year, it will be down another cent. The year following, another cent. And the mill subsidy, or whatever you want to call it, is 2 cents for each year; then, in 1968, there would be no mill subsidy, and we would hope that the price supports could be set at the average of the 3-year market price.

Because of the fact that we sold cotton in 1959 or 1960 freely on the world market, we do not think that the price of cotton will go down to the proposed figure.

The CHAIRMAN. What was the last price support for it; where do you get that?

Mr. GRANT. We are the people who are for the market price system; we are for a market price system, and we think that if the market——

The CHAIRMAN. It would go down, would it not?

Mr. GRANT. We do not think it would.

The CHAIRMAN. It would go down to 6, 7, or 8 cents.

Mr. GRANT. The support price might go down some, yes, but not necessarily the market price. We do not think that the support price will necessarily be the market price. We have been the residual suppliers for a long, long time, which effectively sets the price and determines at what price you are going to sell.

Mr. POAGE. May I ask you a question there?

It always has seemed to me an almost forlorn hope which you express to the effect that the world price is going to go up because you put more cotton on the market. It seems to me to be so contrary to everything I have ever understood about the law of economics that I cannot agree with the basic calculations you present. I will go through them again. I do not know anything that I would rather believe than to believe that your philosophy was sound. That is, that by growing more cotton you expect, as I understand you, that the price will go up—that is what you contend, is it not?

Mr. GRANT. As to the market price, that is right.

Mr. POAGE. And you anticipate growing more cotton.

How can you anticipate that by the production of more cotton that the price per pound is going to go up?

Mr. GRANT. The price per pound will be determined by the market supply, and the market supply will be determined to a better degree if we are not a residual supplier in setting the price which suits the foreign supplier better.

Mr. POAGE. The market would have more cotton to offer. There would be more cotton on the market. And you agree and I agree that the price is going to depend upon the relationship between the supply and the demand.

Mr. GRANT. Yes.

Mr. POAGE. I do not think there is any doubt about that, no matter what you or I or anyone else does; that if we increase the supply and we do nothing with the demand, you anticipate that that is going to result in a higher price. Just why?

Mr. DEVANEY. Let me try to answer that.

Under our program the Commodity Credit Corporation's stocks would be frozen at 115 percent plus the carrying charges. So, we would not have the Commodity Credit Corporation's stocks for beating the price down.

Under our program, we could offer this cotton, the current crop, as it comes out, and it would either go into the domestic mills or into the foreign consumption with an export program, on a competitive bid basis that would let us sell our cotton and not be setting the world price by saying that for the next year our price will be so many cents a pound. We believe that we could sell in the world-market.

Mr. POAGE. I realize the undesirability of announcing prices to the world and saying that our prices will be so much. I understand and, of course, I agree with you that if you hold these 13 million bales in storage that they will not depress the market quite so much as if they were being sold every day, although the very existence of those 13 million bales is going to affect the market to some degree.

I do not see how under your plan, you are going to get rid of this surplus. We will just have that in the hands of the Government forever as I see it—at least for the foreseeable future. That looks to me like a long time mistake to hold this surplus, but I can understand that that would momentarily bring about a little better condition in the market than if that were being sold on the market. Cotton is going on the market now, all of it that the market will take. Now, you propose to put more of our cotton on the market, because each year under your plan we are going to produce more cotton, and we are going to be selling more into the market, domestically and foreign. We are putting some of it in the loan each year under the present program and yet we are, under your plan, going to be growing a bigger crop each year. We already have more cotton than we can sell on the American and foreign markets, but you are going to increase the amount that we will put on the market, and you are going to assume that that will result in a higher price. Obviously, not only for American cotton but for the world price of cotton, because we are talking about the world price, are we not?

Mr. DEVANEY. That is right.

Mr. POAGE. You are talking about raising the world price of cotton by putting more American cotton on the world market, are you not?

Mr. DEVANEY. Yes, higher than what we have set it today.

Mr. POAGE. I just want to get it clear what we are talking about. It is not cotton at the domestic price, we are talking about the world price of cotton, and you are assuming that by adding 2 or 3 million bales to the world supply that the world price will increase—that is your assumption?

Mr. DEVANEY. Not necessarily, but if you take the Commodity Credit Corporation's stocks off the market where they are pushing it down, you take the restricted payments off as our proposal does, then the Secretary cannot use it to go in here and force this price down on a competitive basis, and the price of cotton will not go down, in my opinion, to anything like the figures that have been testified to here. We sold it, as Mr. Grant mentioned, in 1959 or 1960 with the support price of 31.5 cents or thereabouts. We sold it.

Mr. POAGE. I know that we sold it in 1942 and 1943 for 45 cents when we could deliver it. But you do not have that kind of a demand today; you are not faced with a world war—we hope. We are now faced with what—14-million-bales surplus?

Mr. DEVANEY. Yes, sir.

Mr. POAGE. Now, you are faced with what?

Mr. DEVANEY. But the very type of program that you are talking about is going to continue the mill consumption of man-made fibers which are increasing more than cotton did this last year.

Mr. POAGE. That is right.

Mr. DEVANEY. Both domestically and foreign. That is the reason we want to change the approach to the whole problem, to a new direction, to try to solve it in that way.

Mr. POAGE. I do not know whether you folks suggest that this intriguing idea would apply only to cotton or that it would apply to other crops?

Do you suggest that we could grow 500 million additional bushels of wheat and that the price of wheat would go up?

Mr. GRANT. We do not suggest that. What we do suggest is that those things which have not been under Government programs, which have not been under Government regulation, are generally speaking, in a better condition marketwise than those things which have been under regulation.

Mr. POAGE. I think that is true. The people who are here present are in much better condition than the people who are in a hospital; the people in the hospital are there because they are sick. The crops with Government programs are the ones that need help.

Mr. GRANT. We would like to get out of the hospital.

Mr. POAGE. Yes; I appreciate that. I would like to get out of the hospital, too.

Mr. GRANT. I am a cottongrower. I mentioned the fact that I was in India. These cotton buyers told me that our cotton, which they had been buying, was the best that they could possibly get anywhere in the world—the best to spin by itself—it had fewer nubs in the finished product, and they would like to buy it. And we would like to sell it.

Mr. POAGE. For rupees?

Mr. GRANT. We are in a welfare program with India; yes.

Mr. POAGE. Well, now, obviously, we could sell more cotton right now if we would take more rupees and build a new building over there

with them. But what would we use to pay our cotton farmers. Somehow they want dollars, not rupees, when they sell their cotton. Let us talk about dollars. Where do we sell this cotton for dollars? We can sell cotton for rupees; we can sell cotton for cruzeiros; we can sell cotton for almost any depreciated currency or we can just give it away.

Mr. GRANT. This is a very complicated situation, in that you are using local currency in many, many countries in the world.

Mr. POAGE. That is right. I know that, but we are not helping our cotton problem when we simply increase our holdings of foreign currency.

Mr. GRANT. We are not solving it if we do not get into the marketplace with it, and if we purchase these allotments——

Mr. POAGE. Would you support legislation to deliberately grow cotton and other commodities to give away or to sell for local currency?

Mr. GRANT. Would we?

Mr. POAGE. Would you support—I mean in determining how much we will grow, would you support production for the known and intended purpose of giving it away or of selling it for local currency?

Mr. GRANT. No; but if you want to pursue that a little further, I would think that if this were going to be purchased or to be given away, it should be purchased on the market.

Mr. POAGE. On what market?

Mr. GRANT. On the American market.

Mr. POAGE. On the rupee market?

Mr. GRANT. On the American market—the American taxpayer, if he is going to be in the program of giving it away, he ought to buy it with tax dollars on the marketplace and give it away.

Mr. POAGE. But you would not support that, would you?

Mr. GRANT. No.

Mr. POAGE. I would not think so.

Mr. TEAGUE of California. Will you yield?

Mr. POAGE. Yes.

Mr. TEAGUE of California. In connection with Mr. Poage's line of interrogation regarding the world price and the question of whether the world price would go up with a large volume of cotton production, do we have involved here under your recommended program the possibility of a higher average quality of cotton which would compete for the world market?

Mr. GRANT. Very definitely so, yes, because if we pursue this idea of purchasing the allotments of those who do not want to grow cotton, and then this is reallocated, it is only natural to assume that those who are able to sell cotton on the market will be those who want to grow it, and if we allow those who want to grow cotton for the market to grow it, it will be those who can sell it in the market. So, I am sure that the quality will be effectively changed.

Mr. TEAGUE of California. Thank you.

Mr. HAGEN of California. What do you think is a reasonable figure for the price of cotton which would return all of the costs to the grower, including a return on his investment, et cetera?

Mr. GRANT. What do I think is a reasonable price for cotton, to return that?

Mr. HAGEN of California. To return to the grower exactly what it cost him, to recoup all of his expenses plus a reasonable return on his investment in land and machinery and personal effort?

Mr. GRANT. That would be a difficult question to answer, because it varies from year to year and from State to State, but the U.S. Department of Agriculture have those figures which they have developed from the universities, the research stations, et cetera, from each of the cotton-growing areas of the Nation. Various growers would say they could not do it for this price and some would say that they could do it for this price. I understand in San Joaquin Valley, the price is 19 cents, and in some other parts of the Nation it is much higher.

The CHAIRMAN. You say that you can grow it for 19 cents?

Mr. GRANT. Based on costs and returns, on a commercial cotton farm, the U.S. Department of Agriculture Economic Research Service of May 1964 states that. These are not my figures. I do not know.

Mr. POAGE. Can you grow cotton for 19 cents?

Mr. GRANT. Can I do it? I do not know for sure that I can, but the U.S. Department of Agriculture says that I can.

Mr. POAGE. I do not care anything about the U.S. Department of Agriculture. They are not farming in the San Joaquin Valley, and you are. Do you think that you can grow cotton for 19 cents and make a living on it?

Mr. GRANT. I would not want to grow it for 19 cents, but I would not have to do so under our plan.

Mr. POAGE. I am not talking about your plan; I am not talking about anything else, except that I am just asking: Do you think that you can, as a farmer, make a living and pay for your machinery on 19-cent cotton?

Mr. GRANT. I would not answer that without looking at my figures, because I have not tried to figure it out.

The CHAIRMAN. I talked to a California cottongrower, and he said that he did not want to grow it for anything like that.

Mr. GRANT. Of course, if we would not desire the dissolution of the cotton industry we would like to have 40 cents, but if we are going to preside at the dissolution of the industry, we have to be realistic.

The CHAIRMAN. How long do you think that it would take to take care of 4 million bales of cotton with 14 million bales in storage under the plan that you propose?

Mr. GRANT. I cannot answer that.

The CHAIRMAN. Would you set it aside?

Mr. GRANT. Not for ever and ever. We have seen the store of cotton dissolve very quickly under various circumstances. Mr. Poage mentioned what happened when it was in demand.

The CHAIRMAN. That was in a time of war. We have now 14 million bales stacked up in the warehouses, hanging over the market. You say that it should be locked up, but it can always be unlocked.

Mr. GRANT. It does necessarily have an effect, but at 115 percent it would have less effect than it does at 105.

Mr. HAGEN of California. What part of Texas are you from?

Mr. DEVANEY. The south plains, out in the dryland area out there.

Mr. HAGEN of California. Near what city?

Mr. DEVANEY. It is close to Big Springs, about 100 miles south of Lubbock.

Mr. HAGEN of California. Let us assume that you have 200 acres of allotment, what would be the average price per pound that would allow you a reasonable profit?

Mr. DEVANEY. It depends on the rain. You see we are all dryland. The years when it rains, we can product cotton real cheap, but then we have got to throw in 2 or 3 years of drought to average out.

Mr. HAGEN of California. Let us assume that it did rain, what would be a fair price to you for your cotton, assuming that you had about a couple of hundred acres allotment?

Mr. DEVANEY. 200 acres of that dry land is not too much of an allotment, but I would not hardly know how to answer that. I know what the figures were 2 or 3 years ago, but our labor has gone up, our equipment costs have gone up, everything in the way of cost has gone up. Out of hand, if we were producing cotton for about 16 cents a pound, that is what were were actually out in producing it.

Mr. HAGEN of California. Does that cover the land investment?

Mr. DEVANEY. Yes, sir; a little—not very much, not as much as the land is valued at right now.

Mr. HAGEN of California. At a cost of about 16 cents a pound?

Mr. HAGEN of California. That was a good year?

Mr. DEVANEY. That was a good year.

Mr. HAGEN of California. How many bales per acre?

Mr. DEVANEY. Our average is less than one-half, about one-half a bale per acre.

Mr. HAGEN of California. You could grow it for 16 cents a pound at that rate?

Mr. DEVANEY. Yes, sir; in the good years when it rains.

Mr. HAGEN of California. Would you get more than one-half bale per acre, a bale and a half per acre in the good years?

Mr. DEVANEY. That is our average production over the 10-year period.

Mr. HAGEN of California. How many bales per acre would you have to get to be able to grow cotton for 16 cents a pound and make a profit?

Mr. DEVANEY. I do not follow your question.

Mr. HAGEN of California. How many bales per acre would you have to grow to break even at 16 cents per pound?

Mr. DEVANEY. Our average production is one-half a bale per acre. I do not know how far you would have to go.

Mr. POAGE. How many bales per acre did you make in your best year?

Mr. DEVANEY. At one time, with skip-row, I made one bale to the acre.

Mr. HAGEN of California. With one bale to the acre, you could grow cotton without losing any money at 16 cents a pound, is that correct?

Mr. DEVANEY. Yes; a bale per acre production is possible. Of course, insects enter into it, if they were not too bad.

Mr. POAGE. How many of those years out of a 10-year period would you make a bale to the acre?

Mr. DEVANEY. I never made a bale per acre but one time in my life. I never made that but one time in my life. [Laughter.]

Mr. HAGEN of California. You could make it at 16 cents with less than a bale per acre production?

Mr. DEVANEY. I do not believe that we could under the present conditions; that is, with the cost of labor and machinery as it is today. This which I am talking about is about 3 or 4 years ago. That is the figure that I gave you.

Mr. LYNN. I know that you are pressed for time, Mr. Chairman, but just let me make one statement, if I may.

We have a great fear of going to the price support at the world price and a large part of our income from Government payments. It has been clearly demonstrated, I think, with a lot of witnesses that we have heard, that this world price could go to 18, 19 cents. If we start out on this, of course, as a minority group as we are as producers, and depend on the Congress to pay us 19 cents a pound, we are headed for destruction and the destruction of the cotton industry, and we ought to be clear about this. I feel very confident this is so. What are we trying to do? We are trying to protect the basic price-support program that we are in trouble with; but recognizing, too, that we cannot take this drastic step to a world price as a basis of our price support. We might just as well go out of business now, because we cannot make it.

The CHAIRMAN. Thank you very much.

We will recess now until tomorrow morning at 10 o'clock.

(Whereupon, at 12:15 p.m., a recess was taken until 10 a.m., Wednesday, June 9, 1965.)

COTTON

WEDNESDAY, JUNE 9, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:15 a.m., in room 1301 Longworth House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, Abernethy, Jones of Missouri, Hagen of California, Stubblefield, O'Neal, Stalbaum, de la Garza, Vigorito, Redlin, Bandstra, Greigg, Callan, Teague of California, Dole, and Walker.

Also present: Representative Martin of Alabama, Christine S. Gallagher, clerk; John J. Heimbürger, general counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will please be in order.

We have two witnesses on the agenda this morning, Mr. Cortright of the National Cotton Council, and Mr. Smith of the American Textile Manufacturers Institute.

I will ask the members not to interrupt until the witness has finished his statement. We will be glad to hear you now.

STATEMENT OF G. C. CORTRIGHT, JR., PRESIDENT, NATIONAL COTTON COUNCIL; ACCOMPANIED BY M. K. HORNE, JR., CHIEF ECONOMIST, NATIONAL COTTON COUNCIL OF AMERICA; GEORGE TOWNSEND, GENERAL ECONOMIST; W. R. BLAKE, EXECUTIVE VICE PRESIDENT; AND J. BANKS YOUNG, WASHINGTON REPRESENTATIVE, NATIONAL COTTON COUNCIL

Mr. CORTRIGHT. Mr. Chairman and members of the committee, my name is G. C. Cortright, Jr., I am a cotton farmer of Rolling Fork, Miss. I also am president of the National Cotton Council, central organization of the American cotton industry with headquarters in Memphis, Tenn.

Mr. Chairman and members of the committee, in beginning I would like to present a few facts on what has happened during the last year under the Agricultural Act of 1964, whose essential feature was to make raw cotton available to domestic mills at the same price as it is available to foreign mills.

In doing this, I am not trying to develop any across-the-board arguments for or against this legislation. My purpose is to try to clear up some points which may have been distorted, or virtually forgotten, in all the clamor we have had over this short-term, emergency program.

The facts I want to present are drawn from a careful study of both the direct and indirect effects—in the domestic market—of one-price cotton at much more competitive levels. A copy of this full study is attached to this statement and I request that it be made part of the record.

The CHAIRMAN. Without objection it will be made a part of the record at the end of your statement.

Mr. CORTRIGHT. The council's chief economist, Dr. M. K. Horne, who prepared the study, is here to answer any questions you may have about it.

There are six facts that I particularly wish to call to your attention. As you will recall, the principles of the act of 1964 were first conceived in this committee in a bill introduced by the chairman. It was introduced for the purpose of saving cotton as a fiber—as a major fiber in the textile industry and it has been, in our judgment, entirely successful. The disastrous competitive losses to rayon which had been suffered in the domestic market have been diminished.

Fact No. 1: Under the bill, the disastrous competitive losses to rayon which cotton had been suffering in the domestic market have been brought to a halt and even reversed. This was the "emergency." The short-term program was succeeded in coping with it.

Fact No. 2: One-price cotton has sharply reversed the upward trend of yarn imports and has helped to slow down the rising tide of imported cloth.

Fact No. 3: The confidence engendered by one-price cotton has helped generate a spectacular expansion in the textile industry's investment in new plans and equipment. A survey by the Department of Commerce reveals that during the latter half of 1965 our textile industry plans to invest in new plant and equipment at an annual rate corresponding to \$1.1 billion. This represents an increase of 83 percent over the rate prevailing in the early part of 1964, and compared with 26-percent increase for all manufacturers.

Fact No. 4: Employment in the textile mill products industry and in the apparel and related products industry increase in 1964 as contrasted with 1963, as did the average weekly earnings per worker. The total wages paid in these two industries increased by \$360 million in 1964.

Fact No. 5: Despite an unprecedented surge of demand for textiles, there have been some important declines in the price of cotton yarn and cloth. Of the 20 constructions of unfinished cotton cloth on which the Department of Agriculture quotes monthly prices, the 11 heaviest constructions, such as sheeting, twills, and osnaburgs, show a price decline from March 1964 to March 1965. In the 9 lightest fabrics, in the group of 20, where cotton is less important and labor costs more important, prices have advanced somewhat—though not nearly so much as comparable manmade fiber goods.

Fact No. 6: Textile mill profits in 1964 had a significant and much-needed improvement, although they were still only 3.1 percent of sales, as compared with 5.2 percent for all manufacturing.

These are facts that I particularly wanted to bring to the attention of the committee. There are many other facts in Dr. Horne's study, all fully documented, and he will be glad to answer questions about any of them.

There is one other fact that we must also face frankly. Our cotton export program is not working satisfactorily. Our cotton is not being kept competitive in price in the export market. As a consequence we have failed by over 5½ million bales to achieve our proportionate share of the growth that has taken place in the free world demand for cotton in the last 4 years.

Now, with this background on the current program, I would like to move straight into the critical cotton questions that face the Congress, the Nation, and the cotton industry.

The council understands full well that the cotton carryover, and Government program costs, must be reduced. The question is not whether this will be done, but how.

Essentially, there are two choices: (1) the Government can move in the direction of drastic curbs on production; or (2) the Government can pursue a policy aimed at resolving the problem through major expansions in the markets for American cotton.

We realize that there are intense pressures to adopt the first alternative—that of drastic curbs on production. But I want to say to you, without equivocation, that this alternative can only lead to the destruction of cotton as a major American industry.

Our greatest need today is for dramatic improvements in cotton-production efficiency. We must substantially reduce unit costs if farmers are to meet price competition on their own, without Government subsidies. Through science and technology, we are moving vigorously toward that goal, and we clearly have the potential for achieving it.

But the farmer is like any other businessman who has heavy overhead expenses. To be efficient, he must be able to spread that overhead across a large-enough number of producing units. And today, the farmer's volume of production is as low as it can go without significant sacrifices in efficiency.

A major cutback in production would not only reduce the number of bales the farmer would have to sell, it would also have the disastrous effect of raising the farmer's unit costs. It would raise these costs sharply at a time when the basic price support level has just been reduced by \$17.50 a bale.

The imposition of this kind of cost-price squeeze would further sap the grower's ability to meet price competition. A higher price or a heavier subsidy would be necessary to maintain income. Since subsidies apparently must be decreased—not increased—it's virtually certain we would see actions to raise market prices to noncompetitive levels. This would completely destroy our export market; shrink our domestic market; and reduce production to the point where American cotton would take on the status of a specialty fiber, with its use strictly confined to the domestic market.

Gentlemen, this is what we are talking about if we move in the direction of major cutbacks in production. We are talking about the demise of the American cotton industry. And certainly this demise would have far-reaching implications for all of agriculture and the Nation.

Consider what would happen if millions of highly productive cotton acres should have to be forced into other uses. The council has researched this thoroughly, and our findings were released last Decem-

ber in a study entitled "How a Major Cut in Cotton Acreage Could Affect the American Agricultural Economy." A copy of this study—which was based on the very real possibility that cotton acreage might well be progressively reduced by half—is attached, and I also ask that it be made a part of the record.

The CHAIRMAN. It will be made a part of the record at the end of your statement.

Mr. CORTRIGHT. The council's agricultural economist, George Townsend, who prepared the study, is here to answer any questions you may have. I will simply quote the following major conclusions from the study:

SHORT-TERM EFFECTS

Even though the 8 million former cotton acres are diverted to the next most profitable crops, gross income from this land could be expected to drop by well over 50 percent, even if prices of the other crops did not decline.

Soybean production would be increased by something like 69 million bushels—adding to the danger of oversupply and lower prices.

Feed grain production would likely be increased by close to 5 million tons—thus increasing the already serious problems of oversupply.

Commercial vegetable production would probably be increased by nearly 3 million tons—which could completely demoralize the markets for these products.

LONG-TERM EFFECTS

As cotton shrinks in importance, those who once built their operations around this crop would have to develop new farming systems; inevitably, their new emphasis would be on growing more feed—plus conversion of this feed into beef, milk, pork, eggs, and broilers.

Substantially larger supplies of animal products would have a depressing effect on prices throughout the whole livestock economy of the Nation.

The impact on beef would be especially heavy because the Cotton Belt, with low-cost forage to go with its feed grain potential, would have a competitive advantage in cattle production.

Gentlemen, this is what is in store for American agriculture if farmers lose cotton as a major crop. But the total effect would, of course, be felt throughout the whole national economy. Over 9 million people depend wholly or in substantial part on income from cotton. All told, this income amounts to something like \$15 billion a year. As one of the Nation's top exports, cotton is a vital source of strength in meeting our critical balance-of-payments problem. If we lost cotton as a major industry, the impact will be felt by everyone.

Obviously, we do not wish to follow a course of action which will bring this about. This brings me to the other alternative that is available—the alternative of a Government policy aimed at resolving the supply problem, and the cost problem, through expansion of cotton's markets.

This, of course, is the only approach that could be recommended by the National Cotton Council. Our whole reason for existence is to hold and expand cotton's markets and to improve the welfare of cotton people.

The heart of our program—where virtually all of our money is spent—is research and promotion to improve cotton's competitive strength.

In the long run, we know that research has to be the primary answer to our price problem. Over 2 years ago, with the cooperation of Federal, State, and industrial authorities, the council completed a study fully documenting the fact that research could lower cotton production costs by at least 11 cents a pound—more than enough to

eliminate the need for subsidies. We are working on this potential with every resource at our command.

Through genetics and breeding—as well as through chemical modifications—we have a potential for improving cotton quality that has scarcely been explored. Our effort to capitalize on this potential is constantly expanding.

Moreover, we are making real progress in developing promotion programs which will be capable of countering the massive sales efforts of the manmade fibers. This is true in the domestic market, where we have recently moved out strongly in the field of direct consumer advertising. Very important, too, is the fact that most of the major cotton-producing countries have recently reached tentative agreement on financing a multi-million-dollar program of international cotton promotion.

I mention these developments for two reasons: First, to show what an enormous potential cotton has for bolstering its competitive capabilities and achieving self-sufficiency; and secondly, to show what rapid progress is being made in exploiting that potential.

Certainly there can be no question about the cotton producers' determination to become competitive in research and promotion. They not only contribute to the Cotton Council, but in recent years have assessed themselves an additional dollar a bale for the Cotton Producers Institute, which spends all of its money on research and promotion. All told, the combined budget of the council and the institute is now at a level of \$6 million a year. This is still comparatively small in terms of our needs. But our producer leaders—with the wholehearted cooperation of the rest of the industry—are working tirelessly to erase our deficit in research and promotion. They are going to succeed. Cotton research and promotion will be expanded by many millions of dollars in the years just ahead—if we can have a Government policy which will permit the industry to survive and go forward.

Now, what are the fundamentals of such a Government policy—a policy geared to market expansion for American cotton? The entire cotton industry—as represented by the seven primary interests which comprise the National Cotton Council—is united in advocating the following policy objectives:

First, we must have a permanent one-price system. Experience has shown conclusively that a two-price system destroys our domestic market by stimulating cotton textile imports and by driving our American mill customers toward the use of synthetic fibers, which are available at world prices. Today we have to compete at world levels in the American market.

Second, we must seek to preserve and expand both our domestic and our export markets. Neither market is expendable. It takes both of them to support a level of production that will permit the efficiency we must have to survive. Our industry would surely be destroyed by any policy which considers either market expendable.

Third, the Government should put maximum emphasis on research as a means of moving toward the goal of self-sufficiency for cotton. Specifically, we are urging full implementation of the \$10 million cost-cutting program authorized by this committee in the act of 1964, at the earliest possible time. In combination with the research being done by the cotton industry itself, and that by allied suppliers, this will help us move swiftly toward capitalizing on our maximum potential for cost reduction.

Fourth, the Government should have the objective of encouraging, not penalizing, those farmers who have the potential of growing cotton at the lowest possible cost. These farmers represent our only hope for building a dynamic, self-sufficient cotton industry. Yet they have had to bear the brunt of price and acreage reduction thus far. They should be encouraged. They should not be penalized by such things as a further reduction in the national allotment and the proposed restriction on skip-row planting, a practice which has added to the efficiency of thousands of farmers in many parts of the Cotton Belt.

Fifth, in making the adjustment away from subsidies, the Government should have the objective of providing reasonable farm income at levels which will justify the capital uses in cotton production that are so urgently needed for increased efficiency. Specifically, we believe that changes in support, from a base level, should be related to changes in production costs.

Sixth, the Government should move as rapidly as possible to develop a long-range policy geared to market expansion. While short-term programs can be helpful in meeting an emergency, they create an enormous amount of damaging uncertainty about what is to follow. Our customers, and potential customers, will always be afraid of cotton until such time as they can count on a firm, long-range policy permitting market expansion. Without a reasonable degree of stability in cotton policy, they simply cannot make the kind of forward plans that are required for using our fiber in their design, styling, processing, merchandising, and advertising programs. Remember, too, that it is essential for producers and others to have confidence in the future course of Government cotton policy if they are to make the heavy investments that are necessary to improve industry efficiency. So we sincerely hope that a long-range policy will be among your major objectives.

Gentlemen, as I said earlier, the cotton industry is fully united in recommending these objectives in Government cotton policy. There are some differences of opinion on methods and approaches for achieving them—as you well know. But I want to emphasize that there are no differences on these basic objectives, and we strongly urge the committee to keep them firmly in mind, and to see to it that each and every one of them is fully met in whatever policy is ultimately adopted.

We have tried to make it clear that the solution does not lie in drastic and continuing cutbacks in production. This would be a policy of retreat. It would defeat the long-range national interest to adopt a policy which is simply aimed at getting rid of excess stocks and reducing Government programs costs for the short run—without regard to whether this policy would destroy an industry which plays such a vital role in the economic life of America.

A great opportunity lies before us. Textile fiber markets are expanding tremendously in this country and throughout the free world. In the years ahead, cotton not only has a chance to compete in a far bigger market; is also has the opportunity—through sharply expanding programs of research and promotion—to attain a larger share of that market.

If we are farsighted and constructive—if we put our emphasis on market expansion rather than on immediate and drastic cutbacks in production—we can overcome the cost and carryover problems that seem so grave at the moment. We can move to the day when cotton

will be fully competitive on its own, without reliance on heavy Government subsidies. This is the ultimate goal of our industry. We hope and trust that the Government will pursue a policy which will permit us to achieve it.

(The document entitled "The Costs and Benefits of Competitive One-Price Cotton" and the document entitled "How a Major Cut in Cotton Acreage Could Affect the American Agricultural Economy":)

THE COSTS AND BENEFITS OF COMPETITIVE ONE-PRICE COTTON

(By M. K. Horne, Jr., Chief Economist, National Cotton Council of America)

Under the Agricultural Act which became law on April 11, 1964, cotton is now made available for domestic mill consumption and for the export market at the same price. This was accomplished by reducing the price for domestic consumption by approximately 9 cents per pound.

THE NET INCREASE IN COST

In order to measure the net cost of this action to the Federal Government, we must take three changes into account:

(1) An export subsidy of about 9 cents per pound was already in effect when the act passed.¹ Under the act, this subsidy was reduced to 6½ cents a pound as of August 1, 1964.

(2) A subsidy of 6½ cents a pound on cotton for domestic consumption became effective with passage of the act. After August 1, this became the amount of the subsidy for both the domestic and the export markets.

(3) The support price to the cotton grower was reduced about 2½ cents per pound for the 1964 crop, and the average price received by growers came down about the same amount. The 2½-cent reduction in the farmer's price, combined with the 6½-cent subsidy payment, explains the 9-cent reduction in the cost of cotton to the domestic mills. This reduction in the farmer's price also explains how the export subsidy could be reduced 2½ cents (from 9 to 6½ cents) without necessarily changing the export price.

The simplest way to compute the net cost of these changes to the Federal Government for any given season is by reckoning in terms of the cotton exported or consumed domestically within that season.² For the crop year which will end on July 31, 1965, it appears that domestic mill consumption will total approximately 9.3 million bales and exports (subject to a wide error) approximately 4.2 million bales. The changes outlined above involve a new cost of 6½ cents a pound, or about \$32.50 a bale, on domestic consumption. This means an increase of about \$302 million in the Government's cost. On the other hand these changes involve a decrease of 2½ cents a pound, or \$12.50 a bale in the subsidy on cotton exported. This means a reduction of about \$52 million in the Government's cost. Subtracting this from \$302 million, we find that the net cost increase for the present crop year is about \$250 million.

The levels of the support price and of the subsidy payments are determined by the Secretary of Agriculture. For the next crop year (1965-66) the Secretary has announced a further reduction of 1 cent per pound in the support price to the grower and (tentatively) a reduction of three-fourths cent per pound in the subsidy payments. Since this will tend to lower the farmer's price one-fourth cent more than the payments are reduced, it will tend to lower the price of cotton for the domestic and export markets by the difference of one-fourth cent. Obviously it will also lower the cost of the program to the Government by three-fourths cent per pound or about \$3.75 per bale. The exact saving to the Government will depend on the amount of cotton marketed. If this should be the same as the amount estimated above for the 1964-65 season, or 13.5 mil-

¹ Although the payment-in-kind on exports in 1963-64 was 8½ cents per pound, nearly all the cotton actually exported was under a special sales program making it available at a price approximately 9 cents less than the domestic price.

² The payments take the form of certificates representing claims on cotton held in Commodity Credit Corporation stocks. Under regulations issued by the U.S. Department of Agriculture, the payments may be made at various stages of marketing. At present they are made to the first handler, other than the producer, who elects to assume an obligation for the cotton to be consumed domestically or exported before expiration of the act on July 31, 1966 (or to the spinner if no previous handler has collected the payment). Thus actual payments can be made in one season for cotton consumed or exported in a later season. It would appear, however, that the true cost relates to the time when consumption or exportation occurs.

lion bales, the net cost would be reduced about \$50 million, or to \$200 million. There is, however, an urgent need to expand total marketings above this level, and we shall not attempt here to forecast the total for the season ahead. We shall accept \$250 million, as computed above for 1964-65, as the net cost of the actions taken under the act of 1964 to lower the domestic price approximately 9 cents per pound and thereby equalize the domestic and export prices.

In this analysis we shall neither defend nor criticize the act of 1964 or the way it has been administered, but shall limit our attention to the fact that under this act a one-price system was restored by lowering the domestic price about 9 cents. Since the lower price is generally accepted as a reasonably competitive price on the domestic market, we shall refer to the new price structure as competitive one-price cotton. This is partly a misnomer, since the export price is not necessarily competitive; but the term is correct from the standpoint of the domestic market.

This analysis deals with only one question: Is the cost of competitive one-price cotton justified by the benefits? We shall consider the interests of all the American people as taxpayers, consumers, and income earners.

EXPORTS

There is nothing in competitive one-price cotton, as we have it under the act of 1964, which could have been expected to benefit the export market, except removal of the violent opposition which was building up against the export subsidy under the former two-price system. During the season of 1963-64 the export market was not a subject of widespread concern, because foreign textile demand was rising and foreign crops were relatively poor, so that the volume of U.S. exports was improved. These circumstances have now taken a turn for the worse, and it has become apparent to everyone that the export problem is critical. This problem, however, is outside the scope of the present paper, which is limited to the effects of competitive one-price cotton on the domestic market.

THE DOMESTIC MARKET

The effects of this action are to be found in the domestic economy, where the net price of cotton to the spinning mills was reduced about 9 cents a pound.

Since this reduction took place, many changes have occurred in textile profits, prices, employment, investment, and so on. The reduction in the price of cotton has been one factor influencing these changes. There have been various others, of which the most important has been an unusually strong upward surge in the retail demand for textile products.

The rise in retail demand, if taken by itself, would have caused higher textile prices, higher mill profits, and higher textile imports, among other things.

The lower price of cotton, if taken by itself, would have caused lower textile prices, lower textile imports, and a narrowing of the profit advantage in spinning manmade fibers rather than cotton, among other things.

The difficulty is that both of these forces were at work at the same time, along with various others. They often pulled in opposite directions, and the effects which flowed from one single cause cannot be isolated and studied, as in a laboratory.

In practice, people are tempted to credit competitive one-price cotton with all the good things that have happened in the textile field, or to blame it for all the bad things that have happened, depending upon whether they like or dislike the Agricultural Act of 1964.

We can put more light upon the situation if we analyze it in two entirely different ways. First, instead of selecting either good or bad things that have happened in the textile economy, we can take a broad look at all the main changes which can be measured. We shall call this "a broad view." These changes cannot all be attributed to the act of 1964; but they will give us a clearer overall picture of what has happened, regardless of the cause, and they will expose the fallacy of selecting pieces of the picture to prove a point.

Second, we can try seriously to identify the effects which really did flow from the reduction in the price of cotton to the mills. We shall call this "a sensible view."

I. A BROAD VIEW

We shall consider profits, employment and wages, consumer prices, and capital investment.

These things can only be measured in terms of textile operations as a whole, since most firms now deal in other fibers as well as cotton. For profits and for

employment and wages, we shall compare the annual record of 1964 with that of the previous year, since the figures were not readily available for making all the needed comparisons on any other basis. It should be remembered, however, that competitive one-price cotton was not in effect throughout all of 1964. The 6½-cent payment became effective on cotton spun on or after April 11, but the manufactured inventories and goods-in-process held at that time had been made from higher price cotton. The 2½-cent reduction in the farmer's support price applied to the crop which moved to market in the latter part of 1964. With respect to consumer prices and capital investment, we shall use figures for appropriate calendar quarters, converted to annual rates.

PROFITS

Many business firms are engaged in carrying cotton on its long journey from the raw fiber stage to the retail counter where it meets the consumer. Cotton goes into so many industrial uses that virtually the whole of American industry and trade is involved to some extent; but the groups most heavily involved are the textile mills, the apparel manufacturers, and the retail stores.

We now have the following estimates from the Federal Government as to the net profits, after taxes, of the first two groups in 1964, compared with 1963: ³

[In millions of dollars]

	1963	1964	Increase	Percentage increase
Textile mill products.....	354	507	153	43.2
Apparel and other finished products.....	189	318	129	68.3

As for retail stores, no comparable figures are available from the Government; but it appears reasonable to estimate that the net profits, after taxes, on the retailing of clothing alone, were approximately as follows:

[In millions of dollars]

	1963	1964	Increase	Percentage increase
Apparel retailing.....	663	838	175	26.4

The method of making this estimate is explained in the footnote below.⁴

³ Source: Federal Trade Commission and Securities and Exchange Commission.

⁴ Total expenditures on clothing and shoes for personal consumption, as reported in the "Survey of Current Business," were \$30.7 billion in 1963 and \$33.4 billion in 1964. The expenditure on shoes was 15.3 percent of the total in 1963, leaving \$26 billion for clothing alone. By applying this factor for the next year, we estimate expenditures on clothing alone as \$28.3 billion in 1964.

The following figures on net sales and after-tax profits were compiled from the reports of eight department store chains putting heavy emphasis on textiles (Allied, Associated Dry Goods, Federated, Gimbel's, Marshall Field, Mercantile, and Penney):

	1961	1963	1964
Sales (in millions of dollars).....	4,992.5	5,889.6	6,452.6
Profits (in millions of dollars)	161.0	191.3	242.8
Profit percentage.....	3.22	3.25	3.76

In a study by the Harvard Bureau of Business Research, as reported by the U.S. Department of Agriculture "The American Textile Industry, Agricultural Economic Report No. 58," it was found that the average after-tax profit in 1961 of 261 firms in department stores with sales of \$1 million or more was 2.53 percent of net sales. Since this was lower than the 3.22 percent shown above for the same year, it would appear that the eight firms included in the sample operate at somewhat higher than average profits. By assuming that their relative profitability remained the same in subsequent years, we may scale down the rates for the later years by the same ratio (2.53/3.22) and estimate average profits at 2.55 percent in 1963 and 2.96 in 1964. Applying these percentages to the above estimates of total retail clothing sales, we arrive at profits of \$663 million in 1963 and \$838 million in 1964. The method has obvious limitations, but appears reasonable for obtaining an approximation.

It should be realized that these figures do not include the profit on retailing household articles other than clothing, such as sheets, towels, rugs, draperies, tablecloths, etc. It is assumed that the profits on these items rose by a comparable percentage.

It is interesting to observe the following published reports of net earnings by some of the larger retail firms.⁵

[In millions of dollars]

	1963	1964	Increase	Percentage increase
Sears, Roebuck.....	261,024	304,094	43,070	16.5
J. C. Penney.....	55,292	68,271	12,979	23.5
Federated Department Stores.....	53,173	64,469	11,296	21.2
May Department Stores.....	30,433	41,090	10,657	35.0
Montgomery Ward.....	20,967	21,865	898	4.3
Allied Stores.....	14,348	17,735	3,387	23.6
Associated Dry Goods.....	12,549	16,763	4,214	33.6
Gimbel's.....	10,808	14,900	4,092	37.9
R. H. Macy's.....	10,438	14,999	4,561	43.7
Marshall Field.....	9,368	12,441	3,073	32.8
Broadway Hale Stores.....	7,001	8,216	1,215	17.4
Mercantile Stores.....	5,370	7,132	1,762	32.8
Arlan's Department Stores.....	3,033	4,623	1,590	52.4
Lane Bryant, Inc.....	2,826	4,152	1,326	46.9
Richman Bros. Co.....	2,085	2,645	560	26.9
King's Department Stores.....	1,721	3,104	1,383	80.4
Zayre, Inc.....	1,223	2,967	1,744	142.6
Total.....	501,659	609,466	107,807	21.5

Most of these stores handle a large volume of nontextile items, but clothing and homefurnishings make up about 58 percent of the total sales of department stores in the United States and a larger percentage of apparel store sales. The above figures represent only a fraction of total department store profits, a very small percentage of total apparel store profits, and none of the profits from the textiles handled by variety and food chains, etc.

It should be noted that Sears, Roebuck and Montgomery Ward, which put greater than average emphasis on nontextile items, experienced two of the smaller percentage profit gains in 1964. For the retail firms listed above, omitting these two, the total gain was 29.1 percent. This indicates that the estimated increase of 26.5 percent in the total profits on apparel retailing is conservative.

EMPLOYMENT AND WAGES

The following figures are limited to production workers in the two industrial categories and to nonsupervisory workers in the retail group:⁶

	Average number of workers		Average weekly earnings per worker		Annual earnings (millions of dollars)	
	1963	1964	1963	1964	1963	1964
Textile mill products industry.....	796,400	802,500	\$69.43	\$72.98	2,875	3,045
Apparel and related products industry.....	1,139,400	1,163,900	62.45	64.26	3,700	3,889
Department and apparel stores.....	1,496,200	1,565,400	57.17	59.02	4,448	4,804
Total.....	3,432,000	3,531,800	-----	-----	11,023	11,738

The total figures for department and apparel store operations give us the best impression available at this time on employment and earnings in the retailing of textile apparel and household articles (although some nontextile merchandise is included, and some types of textile retail outlets are excluded).

⁵ Source: Wall Street Journal, issues of Mar. 18 through Apr. 20, 1965. In all cases the reports are for the 12 months through January of the year following the one indicated.
⁶ Source: U.S. Department of Labor. Annual earnings computed from number of workers and weekly earnings per worker.

Between 1963 and 1964, average employment rose about 6,100 in the textile industry, 24,500 in the apparel industry, and 69,200 in textile retailing. Total increase in jobs: about 100,000.

The average earnings per worker rose substantially through the combined effect of higher hourly wages and more hours of work. Between the 2 years, total wages rose \$170 million in the textile industry, \$189 million in the apparel industry, and \$356 million in textile retailing. Total wage increase: \$715 million.

CONSUMER PRICES

The official index of consumer prices paid for clothing rose by 0.19 percent, or less than one-fifth of 1 percent, between the fourth quarter of 1963 and the fourth quarter of 1964.⁷

During the fourth quarter of 1964, consumer expenditures on clothing (omitting shoes) were at an annual rate of \$29.1 billion.⁸ If the increase of 0.19 percent in retail clothing prices had not occurred in the preceding 12 months, this figure would have been roughly \$50 million lower. This would have meant a saving of slightly more than 25 cents per capita for the American population in its annual rate of clothing purchases.

The index of consumer prices for textile homefurnishings (sheets, bedspreads, drapery fabric, etc.) rose 0.49 percent between December 1963 and December 1964.⁹ We have no estimate of total consumer expenditures on such items, but they clearly were small in comparison with expenditures on clothing.

CAPITAL INVESTMENT

In its regular surveys of investment in new plant and equipment, the Government gives no specific data on the apparel industry or on the retail stores handling textile items. It does, however, give such information on the textile mill products industry.

Investment in new textile plant and equipment rose from \$640 million in 1963 to \$760 million in 1964, for a net gain of \$120 million. Between the fourth quarters of 1963 and of 1964, the annual rate rose from \$650 to \$950 million, for a net gain of \$300 million.

The Government also has reported on the intentions of textile managements to make such investments in 1965. The intention has been indicated to spend \$1,020 million on new textile plant and equipment this year—up \$380 million from 2 years earlier. For the second half of 1965, the indication is for an annual expenditure rate of \$1,100 million—up \$475 million from the same period 2 years earlier.

At least 106 separate companies, including all the leaders, are now taking part of an unprecedented amount of investment in spinning, weaving, knitting, and finishing facilities.¹⁰

Such investment is recognized as having a special "multiplier" effect upon the general level of income and employment throughout the economy. Much of the new business created is being enjoyed by the textile machinery industry,

⁷ Computed as follows from monthly indexes (based on 1957-59 as 100) published by U.S. Bureau of Labor Statistics:

	1963	1964	Increase (percent)
October.....	104.2	104.2	
November.....	104.3	104.5	
December.....	104.2	104.6	
Average.....	104.23	104.43	+0.19

⁸ This figure was derived by the method explained in footnote 4. It compares with an estimated total of \$28,300,000,000 for the entire year of 1964.

⁹ "Consumer Price Indexes for Selected Items and Groups" (U.S. Bureau of Labor Statistics).

¹⁰ Information compiled from reports on individual projects, published in Textile Bulletin.

which increased its sales by \$60 or \$80 million in 1964, according to a recent estimate.¹¹ Profits and payrolls have risen sharply as a result, and this industry in its turn is making new capital investments of its own. For example, Draper Corp. spent an estimated \$5 to \$6 million on plant and equipment in 1964 and earmarked an additional \$4.5 million for a new foundry at Hopedale, Mass. West Point Foundry & Machine Co. added 17,000 square feet to its manufacturing area in 1964 and announced a new 25,000-square-foot building to be constructed in 1965.

Published reports show that much of the textile industry's new investment is going also into air-conditioning equipment, research facilities, and the construction of new factory buildings, warehouses, and offices. All this investment generates further income and employment which is widely distributed over the country.

CONCLUSION

This broad roundup of events in the domestic textile economy during 1964 seems to indicate that the American people, as taxpayers and as income earners, received benefits far outweighing the net cost of the Government's action establishing competitive one-price cotton and the small increase in the retail price of clothing.

We have noted increases in after-tax profits of \$153 million for the textile industry, \$129 million for the apparel industry, and \$175 million for clothing retailers, or a total of \$457 million. The Federal corporation tax rate for 1964 was 50 percent on all incomes above \$25,000. This suggests that the increase in taxes paid, before this \$457 million was brought down to after-tax income, must have been well in excess of the \$250 million in increased cost incurred by the Government in establishing competitive one-price cotton, plus the increase of some \$50 million in consumer clothing costs. Moreover, we have taken no account of the greatly increased Government revenue from some \$713 million in higher wages paid by textile, apparel manufacturing, and textile retailing firms, or from numerous other types of income generated by the textile economy. Obviously, the increased Government revenue, far outweighing the increased Government cost, means that the taxpayer has not been hurt, but has been helped.

On top of this, we must recognize the clear gain to the whole American population from the improved income situation. In this analysis, which could only reach into some of the main segments of the textile economy, we found 100,000 new jobs, more than a billion dollars in increased wages and profits, and nearly half a billion in the increased annual rate of capital investment by textile firms alone. The cost of competitive one-price cotton is certainly dwarfed by the resulting improvement in job security and living standards throughout the country.

II. A SENSIBLE VIEW

It would be unreasonable, however, to claim that the whole situation outlined above was caused by the reduction in the price of cotton to the domestic mills. Furthermore, it is just as unreasonable to claim that any particular part of the situation was caused by lower-priced cotton unless the claim can be supported by a fair analysis of the economic forces that were at work. In the following pages we shall try to show what relationship did exist between competitive one-price cotton and the main developments of 1964 in the domestic textile economy. The chief use of the facts presented above will be as a statistical base for the appraisal which follows.

The year 1964 was featured by an unusually strong rise in consumer demand for textile products, which, in turn, was caused by such factors as the tax cut, the booming general economy, the great increase in textile sales promotion, and the rapid movement of "war babies" into the age bracket of heaviest textile consumption. It is most unusual in this country for clothing purchases to run substantially ahead of the general rise in consumer buying, but this is what happened in 1964. While consumer purchases of all goods and services were up 6.5 percent, such purchases of clothing rose by a remarkable 8.8 percent.

If we view the whole picture with reason and good sense, we are bound to acknowledge that this development, and not the price of cotton, was the main cause of the broad expansion in textile employment and wages and of the rise in profits and of the rise in prices. In the following pages we shall look carefully

¹¹ Dana L. Thomas, "Boom in Looms." *Barron's*, Jan. 4, 1965, p. 3 ff.

into textile prices, textile profits, fiber competition, imports, and capital investment.

TEXTILE PRICES

We have noted that between the fourth quarters of 1963 and of 1964 the official index of retail prices for clothing rose by 0.19 percent, or less than one-fifth of 1 percent. The following indexes of consumer prices show how the rise for clothing compared with that for the total purchases made by American consumers :¹²

	4th quarter		Increase (percent)
	1963	1964	
Clothing.....	104. 23	104. 43	0. 19
All goods and services.....	107. 40	108. 67	1. 18

Clothing prices rose less than one-sixth as much as all consumer prices. Was this caused by a weaker demand for clothing than for other consumer items? The answer is found in the following figures for consumer spending, expressed in annual rates :

[Dollars amounts in billions]

	4th quarter—		Increase (percent)
	1963	1964	
Expenditures for clothing ¹	\$26. 2	\$29. 1	11. 1
Total consumer spending.....	381. 3	406. 5	6. 6

¹ Expenditures for clothing computed by subtracting 15.3 percent from expenditures for clothing and shoes. See footnote ⁴.

Thus we see that although clothing purchases rose more rapidly than other purchases, clothing prices rose much less than other prices. Had this kind of thing been happening in earlier years? We shall look at the record for the previous 12-month period. First the index of consumer prices :

[Dollar amounts in billions]

	4th quarter—		Increase (percent)
	1962	1963	
Clothing.....	\$103. 10	\$104. 23	1. 10
All goods and services.....	105. 93	107. 40	1. 39

And here are the corresponding figures on consumer spending in this earlier 12-month period (annual rates in billions of dollars) :

	4th quarter		Increase (percent)
	1962	1963	
Expenditures for clothing.....	¹ 25. 4	26. 2	3. 1
Total consumer spending.....	364. 0	381. 3	4. 8

¹ 1962 expenditure for clothing computed by subtracting 15.8 percent from expenditure for clothing and shoes. This was the percentage spent on shoes for all of 1962.

¹² Computed from releases of the U.S. Bureau of Labor Statistics, as explained in footnote 7.

The meaning of these figures sums up as follows :
During 1963 the demand for clothing lagged behind the demand for other goods and services, but clothing prices rose substantially. During 1964, however, the situation was sharply reversed: Although the demand for clothing rose much faster than the demand for other goods and services, clothing prices rose very little—only one-sixth as much as the index of all consumer prices.
It is clear that for some reason American consumers did pay less for clothing in 1964 than they might have expected to pay in view of the strong demand. Was that reason the lower price of raw cotton?

Misconceptions sometimes exist as to the amount of impact which a change in the price of cotton could possibly have upon the retail price of cotton articles. A study published recently by the U.S. Department of Agriculture gives the following breakdown of the average consumer dollar spent for cotton apparel and household goods in 1962, according to the portion received at each level of operation.¹³

	Cents
Farm production-----	13.7
Ginning and baling-----	1.3
Merchandising cotton-----	2.2
Manufacturing, dyeing, and finishing yarns and fabrics-----	11.9
Manufacturing apparel and household goods-----	30.1
Wholesaling-----	8.2
Retailing-----	32.6
Total-----	100.0

We see that in 1962 the farmer's portion of the average retail dollar spent on cotton articles was 13.7 percent. It was approximately 15 percent in the first quarter of 1964, according to a later report of the Department of Agriculture.¹⁴ A 9-cent reduction in the price of cotton was equal to somewhat more than one-fourth of the average price received by farmers. Thus the price reduction was about equal to 4 percent, or slightly less, of the average retail price of cotton articles (one-fourth of 15 percent). If the entire reduction had been passed on to the final consumer, the effect on the clothing price index would have been only a fraction of 4 percent, since other fibers are also used in clothing. The booming demand and the rise in labor costs obviously prevented the entire price reduction from being passed on to the consumer. It is quite conceivable, however, that the lower cotton price could have been responsible for holding down the increase in clothing prices to the very modest figure of 0.19 percent and preventing a rise of considerably more than the 1.10 percent experienced the previous year.

If this is what actually did happen, the evidence would be most apparent at the stage of manufacturing and distribution where the raw fiber plays the biggest part in the selling price. This is in the manufacture of yarn and of unfinished cloth. We would also expect to find the biggest effect in the relatively coarse or heavy products, in which the fiber cost is larger in relation to labor and other processing expenses.

The U.S. Department of Agriculture prepares monthly tabulations for 20 constructions of unfinished cotton cloth. For each construction, the mill selling price is given for the amount of cloth which can be manufactured from a pound of raw cotton. In table 1 these figures are presented for four recent dates.

The 20 constructions are listed in the order of the weight of each fabric, with the finest or lightest fabric given first. For the lightest fabric, weighing only 1.74 ounces per square yard, the price of the quantity made from a pound of cotton rose 3.40 cents per pound, or 4.6 percent between March 1964 and March 1965. But for the heaviest fabric, weighing 8 ounces per yard, the price of the quantity made from a pound of cotton dropped 1.79 cents per pound, or 3 percent.

¹³ The American Textile Industry (Agricultural Economic Report No. 58).
¹⁴ Marketing and Transportation Situation.

TABLE 1.—*Prices of unfinished cotton cloth*¹

Type of fabric	Weight of 1 square yard, in ounces	Prices of the amount of fabric which can be made from 1 pound of raw cotton (in cents)				
		January 1964	March 1964	December 1964 (pre- liminary)	March 1965 (pre- liminary)	Change in price, March 1964 to March 1965
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Print cloth.....	1.74	73.34	73.34	74.73	76.74	+3.40
Do.....	2.39	70.80	70.51	74.54	74.40	+3.89
Do.....	2.70	71.48	70.16	73.27	73.74	+3.58
Do.....	2.80	70.80	70.22	71.76	76.80	+6.58
Carded broadcloth.....	3.06	66.49	65.58	71.33	72.40	+6.82
Print cloth.....	3.11	72.42	71.61	73.19	76.68	+5.07
Sheeting.....	3.35	61.43	63.32	62.48	64.26	+0.94
Print cloth.....	3.69	68.21	68.10	69.47	72.70	+4.60
Carded broadcloth.....	3.70	64.62	64.14	66.50	66.50	+2.36
Sheeting.....	3.84	57.75	58.58	58.18	57.75	-0.83
Do.....	4.74	56.44	56.84	55.44	55.44	-1.40
Twill.....	4.92	62.28	62.28	61.96	61.96	-0.32
Sheeting.....	5.05	56.88	57.98	56.88	56.40	-1.58
Drill.....	5.64	56.25	56.25	54.00	54.00	-2.25
Twill.....	6.51	56.27	56.51	54.50	54.87	-1.64
Osnaburg.....	6.82	45.65	45.65	43.86	43.86	-1.79
Drill.....	7.44	53.94	54.29	53.77	53.63	-0.66
Twill.....	7.61	53.02	53.58	50.43	50.54	-3.04
Army duck.....	8.00	69.29	69.29	68.11	68.45	-0.84
Grade A, S.F. duck.....	8.00	59.07	59.07	57.28	57.28	-1.79
Average.....	4.76	62.32	62.37	62.58	63.42	+1.05

¹ Cotton Price Statistics (U.S. Department of Agriculture).

The price fluctuations were naturally affected by supply and demand conditions of the individual constructions, but column 7 shows that all of the 9 lightest fabrics in this list rose in price, while all of the 11 heaviest fabrics declined in price. In other words, in those products involving the lowest percentage of cotton cost and the highest percentage of labor and other costs, prices tended to rise; while in those of the opposite type, prices tended to decline. The smaller the role of cotton in the cost structure, the greater the tendency for prices to rise; and the larger the role of cotton, the greater the tendency for prices to fall. Clearly, then, the influence of the lower cotton price was at work and did pull downward on the price of cloth, though it was only a fraction of the market that this influence was big enough to outweigh the upward pull of booming demand and of higher labor costs.

The average figure at the bottom of table 1, representing all 20 fabrics combined, is misleading if it is taken to reveal the average behavior of cotton cloth prices as a whole. It is too small a sample of fabrics, and the lighter fabrics are automatically given a larger weighting in the averages, since the figures are in terms of a pound of raw cotton used. Even if the sample in table 1 is employed, an average price based on 1 square yard of cloth in each construction shows virtually no change between March 1964 and March 1965.

The Daily News Record, a textile trade publication, publishes prices on a larger number of constructions. Following are the average prices per linear yard of the 77 cotton gray goods fabrics on which figures were published for the dates indicated:¹⁵

	Cents
Dec. 31, 1963.....	28.89
July 1, 1964.....	27.74
Dec. 30, 1964.....	27.98
Mar. 31, 1965.....	28.06

¹⁵ In a few cases the dates varied by a few days from those given.

From the beginning to the end of 1964, these figures reflect an average price decline from 28.89 cents to 27.98 cents, or nearly 1 cent per yard. This differs from the figures in table 1, indicating a slight percentage increase between January and December 1964. There is no apparent evidence that either these 77 fabrics or the 20 fabrics presented in table 1 represent a scientifically chosen sample for the type of investigation here being made. The 77 fabrics do cover the whole spectrum of the broad goods manufactured in this country, and in the absence of a scientific sample it seems logical to place greater faith in the larger sample.

This larger list of fabrics confirms the evidence in table 1 that net price increases tended to occur in such items as print cloth and other lightweight goods. It confirms even more strongly, however, the tendency of the heavier goods to decline in price. Some heavier items are summarized below (in prices per pound of cloth) :

	Dec. 31, 1963	Dec. 30, 1964	Decline
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Sateens (average of 4 constructions)-----	66.71	62.00	4.71
Broken twills (2 constructions)-----	60.83	57.59	3.24
Wide drills (2 constructions)-----	70.13	67.90	2.23
Osnaburgs (2 constructions)-----	64.65	59.78	4.87
Knitted goods (5 constructions)-----	104.30	95.70	8.60

The Daily News Record also reported prices of 41 different constructions of cotton yarn, representing the stage of manufacture which is closest of all to the raw material. The reported average prices per pound were as follows:

	<i>Cents</i>
Dec. 31, 1963-----	81.41
July 1, 1964-----	76.79
Dec. 30, 1964-----	76.50
Mar. 31, 1965-----	76.55

The evidence is powerful indeed that in those products embodying the largest ratio of cotton cost to total cost, prices did decline very substantially. These were the products in which the real influence of the cotton price could be best observed.

The Daily News Record also carried prices per yard on 37 different unfinished fabrics made of manmade fibers (either 100 percent or in blends) for substantially the same dates. The averages for these fabrics are shown below, alongside the averages for the 77 cotton items :

	Cotton goods	Manmade fiber goods
	<i>Cents</i>	<i>Cents</i>
Dec. 31, 1963-----	28.89	31.57
July 1, 1964-----	27.74	31.98
Dec. 30, 1964-----	27.98	33.07
Mar. 31, 1965-----	28.06	33.11

During the first 6 months of 1964, the cotton goods declined 1.15 cents, while the manmade goods rose 0.41 cents. During all of 1964, the cotton goods declined 0.91 cents, while the manmade goods rose 1.50 cents. During the 15 months ended March 31, 1965, the cotton goods declined 0.83 cents, while the manmade goods rose 1.54 cents.

Evidently there were reductions in the prices of some manmade fibers during 1964, but not such as to compare in overall effect with the 9-cent reduction in cotton. The prices of the manmade fiber fabrics were dominated by the strong upward pull of the market and by rising costs of textile operations. This obviously is what would have happened also in cotton fabrics in the absence of lower cotton prices. The evidence suggests, however, that cotton fabrics as a whole did not rise but declined in the very face of strong upward pressures, and that the only possible explanation is the lower price of raw cotton.

Government indexes for March 1965—the foregoing analysis is generally confirmed and in some respects brought more up to date by the use of price indexes published by the U.S. Bureau of Labor Statistics, including indexes of wholesale prices. (Some of these figures were received too late to be incorporated elsewhere in the body of this report.) Indexes based on 1957–59 as 100, showing the 12-month changes from March 1964 to March 1965, are given below:

	March 1964	March 1965	Percentage change
Consumer price indexes:			
Apparel (less footwear)-----	103.2	103.7	+0.48
All items-----	107.7	109.0	+1.21
Wholesale price indexes:			
Cotton yarns-----	98.6	92.3	-6.39
Broadwoven fabrics:			
Cotton-----	101.4	100.4	-.99
Manmade fiber-----	98.5	101.3	+2.84
Apparel (no separation given according to fiber content)-----	102.3	103.1	+.78
Cotton housefurnishings (no comparable figure given for manmade fibers)-----	103.4	102.8	-.58

These price indexes, like all others, are subject to imperfections in the sampling and reporting techniques. The greater increase in the wholesale than in the retail indexes of apparel prices is probably explained in part by such imperfections, including differences in the wholesale and retail samples. The figures above nevertheless do tend to document the following general points:

(a) That the lower price of cotton has been accompanied by a sharp reduction in cotton yarn prices and by some reduction in average cotton cloth prices, whereas cloth prices from manmade fibers have had a very substantial average increase; and

(b) That the prices paid by consumers for clothing have had only a relatively small increase as compared with those paid for all goods and services.

While no index of retail prices for homefurnishings is yet available for March 1965, we do find that cotton homefurnishings were lower at the wholesale level than they had been a year earlier.

To sum up on textile prices: The evidence is powerful indeed that the lower price of cotton did exert a strong downward pull on the price of yarn and fabrics and that in the establishment of retail prices the lower price of cotton served as a strong counterforce to the powerful upward pull of booming demand of increases in other operating costs, and of higher prices for manmade fiber products. The downward pull exerted by cotton is a plausible explanation, and apparently the only logical explanation, why retail clothing prices rose less than one-fifth of 1 percent in a year when overall consumer prices rose 1.18 percent and when the demand for clothing far outran the demand for other goods and services. Across the 12-month period ended in March 1965, as the other forces continued pulling upward, it appears that lower price cotton was the main reason why apparel prices rose less than one-half of 1 percent, while overall consumer prices rose more than 1.2 percent. Despite all the clamor which has been heard about the failure of lower price cotton to bring down the prices paid by consumers, the cold facts indicate that consumers have received fully as much benefit as could have been reasonably expected.

TEXTILE PROFITS

It has been claimed that the rise in textile mill profits was caused by the adoption of competitive one-price cotton, on the theory that the mills simply added to profits the amount of the cotton price reduction. This theory itself becomes untenable when we examine the actual behavior of textile prices, as outlined above on pages 15–19. In heavier goods, which provide the best indicator of the effect of the cotton price, cloth prices generally declined. Only in lighter goods, in which booming demand and rising labor costs were relatively strong factors as compared with the cotton price, did cloth prices generally rise.

Referring back to the figures on pages 5 and 6, we must ask:

(1) If lower cotton prices caused the rise of 43.2 percent in textile mill profits, what caused the rise of 68.3 percent in the profits of apparel manufacturers?

(2) And what caused the rise of 26.4 percent in the profits on retailing of apparel?

It is well known that the textile companies making the greatest use of manmade fibers and the least use of cotton experienced fully as much profit increase as those relying largely or entirely on cotton. So we must ask: What caused this? The main answer in all cases is that all these establishments, particularly the textile mills, are well recognized as the types of businesses which go through wide up-and-down swings of profits in response to the strength or weakness of demand. When business is weak, their profits drop more than average; when it is strong, they rise more than average. And 1964 was a year of extraordinary strength in the demand for textiles.

Some light can be gleaned from the Government's estimates of profits, before income taxes, in the textile industry. The figures are given below by calendar quarters in millions of dollars: ¹⁶

Quarter	1961	1962	1963	1964	Increase: 1964 over 1963
					<i>Percent</i>
I.....	100	160	146	178	21.9
II.....	133	183	181	206	13.8
III.....	165	179	190	282	48.4
IV.....	191	202	204	281	37.7

This 4-year record makes it evident that textile profits have a marked seasonal pattern, for which any valid comparison must allow.

If we are looking for the effect of the cotton price reduction, we must recognize the following facts: No such reduction had occurred during the first quarter of 1964. The payment lowering the net price to the mills by 6½ cents per pound became effective on cotton spun on and after April 11. The further reduction of 2½ cents took the form of a lower price received by farmers on the 1964 crop, which could hardly have been available for use in big volume by the mills much before the beginning of the fourth quarter on October 1. Moreover, both on April 11 and at the beginning of the new crop movement, the mills necessarily had stocks of unsold cloth on hand or in the process of manufacture, made from cotton purchased at the higher prices prevailing earlier. Therefore the notion that lower cotton prices were the principal cause of the higher profits runs into conflict with certain hard facts:

First, the year-to-year rise in profits was quite in evidence during the first quarter of 1964, before any of the benefit of the lower cotton price was available. In fact, the rise in profits was higher in the first than in the second quarter, when such benefits began to be felt for the first time.

Second, in the fourth quarter, which was the first time that the full benefit of the 9-cent reduction could have been available, the year-to-year gain was less than in the third quarter.

While rising demand was clearly the foremost cause of the increase in textile mill profits, we should recognize that other contributive factors must also have been at work.

One such factor must have been some relief from Federal income taxes. The special tax credit for investments in new plant and equipment apparently had more than the average effect upon textile mill profits, since this industry increased such investments to an exceptional extent in 1964. This was in addition to the general reduction in corporation income taxes. The official estimate of textile mill profits before Federal income taxes, rose from \$721 to \$947 million, or only 31 percent. A substantial amount of tax relief was therefore necessary to provide the estimated increase from \$354 to \$507 million, or 43 percent, in after-tax income.¹⁷

It must also be recognized that competitive one-price cotton should have had, and in all probability did have, a favorable effect upon textile profits. Previously, under the two-price system, this country had been exporting cotton some 9 cents a pound cheaper than the prices available to American mills. Textiles manufactured abroad from cheaper cotton and exported to this country had naturally depressed domestic prices and imposed an unreasonable profit squeeze on American mills. This had not only encouraged imports but had also increased the incentive for mills to abandon cotton and take up the use of man-

¹⁶ Source: Federal Trade Commission and Securities and Exchange Commission.
¹⁷ Federal Trade Commission and Securities and Exchange Commission.

made fibers. The prime purpose of competitive one-price cotton was to check this damage to the domestic cotton market by putting the users of cotton back on a fair competitive basis as compared with the users of manmade fibers and with the foreign textile manufacturers. Where textile prices dropped steeply (for example in yarns), the mills were at least able to compete more effectively with imported goods and thus to hold more market than they would otherwise have held. Where temporary strength in the market caused firm textile prices (for example, in a number of finer fabrics) the lower cotton price at least put the industrial cotton consumer on a fair profit basis compared with manmade fiber consumers and with foreign cotton manufacturers insofar as his raw material price was concerned.

To sum up on the increased profits of textile mills: The boom in retail demand was the main cause. Tax relief was another significant cause. And the lower price of cotton was another. Whatever improvement actually resulted from competitive, one-price cotton was thoroughly justified, since it represented nothing more than the removal of an unfair competitive handicap, which had to be eliminated if the domestic market for cotton was to survive.

FIBER COMPETITION

A basic purpose of competitive one-price cotton was to check cotton's losses to other fibers in the domestic manufacture of textiles. The competitive record leading up to this legislation, and the brief period of experience following its enactment, are summarized below. The figures represent annual fiber consumption on the cotton-spinning system. The rayon and noncellulosic fibers are converted to equivalent bales of cotton.¹⁸

	Total consumption in bales or bales equivalents	Percentage of consumption		
		Cotton	Rayon	Non-cellulosics
1958-----	9,102,000	88.24	9.48	2.28
1959-----	10,267,000	88.06	9.22	2.73
1960-----	9,880,000	88.49	8.48	3.03
1961-----	9,817,000	87.06	9.44	3.50
1962-----	10,405,000	84.19	11.05	4.76
1963-----	10,538,000	80.15	13.11	6.75
1964-----	11,198,000	79.03	13.41	7.55

Here it is evident that cotton was holding its own against its closest competition during the period 1958-60, but that a sharp reversal got underway in 1961 and continued through 1963. Since the reduction in the price of cotton did not begin until April 1964, a comparison of certain calendar quarters is necessary if we are to measure competitive changes in relation to this action. The following quarterly figures are in annual rates.

	Total consumption in bales or bale equivalents	Percentage of consumption		
		Cotton	Rayon	Noncellulosics
1961 (1st quarter)-----	9,167,000	88.10	8.64	3.27
1964 (1st quarter)-----	10,860,000	78.96	13.80	7.24
1965 (1st quarter)-----	11,884,000	78.92	12.60	8.48

Between the first quarters of 1961 and 1964, total consumption on the cotton system rose by the equivalent of 1,693,000 bales, but cotton consumption rose only from a rate of 8,076,000 to 8,576,000, or by 500,000 bales. If it had held the same

¹⁸ Source: Computations based on statistics of U.S. Bureau of the Census, with rayon and noncellulosics converted to cotton equivalent by means of commonly used conversion factors (available on request).

percentage of this market throughout this period, its consumption would have risen to a rate of 9,568,000 bales by the first quarter of 1964, or 992,000 more than the rate it actually reached. Therefore, it experienced a competitive loss of nearly a million bales across these 3 years on the cotton system alone.

The dominant cause of this competitive loss was a sharp change in the price relationship of cotton and rayon staple fiber. The price of rayon was lowered 5 cents a pound in 1960 and 1961. The market price of cotton was raised by an average of 3½ cents or more in 1961. The result gave rayon an overwhelming advantage, and it swept into cotton's market. The higher cotton price, combined with many reductions in noncellulosic prices, contributed also to an acceleration in the competitive gains of these fibers.

In turn, the sharp reduction in the price of cotton to domestic mills during 1964 brought a check to cotton's net competitive losses. The effect was felt mainly in the competition with rayon, which depends heavily upon price relationships. Rayon's share of the cotton system market fell back from 13.80 to 12.60 percent. The noncellulosic fiber competition, which is governed less by price and more by sales promotion, was affected relatively little. These fibers scored a further gain from 7.24 to 8.48 percent. On balance, however, cotton succeeded in holding substantially the same percentage of the market between the first quarters of 1964 and 1965. This clearly was caused primarily by the lower price.

Since total consumption on the cotton system was rising between early 1964 and early 1965, cotton consumption rose in annual rate by 804,000 bales.

Between the first quarters of 1961 and 1964, cotton's share of the fiber used in its own spinning system fell from 88.10 to 78.96 percent, or about 3 percentage points per year. As a percentage of the present market this would amount to 360,000 bales per year. There is little basis to doubt that if the price had not been lowered, cotton's competitive losses would not only have continued but would have accelerated further. Textile firms do not ordinarily shift from one fiber to another without spending a great deal of time, effort, and money upon research and experimentation, designing, market analysis, and sales promotion. All these efforts were set in motion on a big scale by the adverse price developments of 1960-61. It is clear from the above figures that cotton's competitive losses began at a relatively modest rate and accelerated as the years passed. The loss amounted to 1.43 percentage points in 1961; 2.87 in 1962; and 4.04 in 1963. By the first of 1964 it was well known that great preparations had been made for bigger shifts into manmade fibers and faster abandonment of cotton. There was, however, a growing expectation that legislation would be adopted to lower the price of this fiber, and this served as a restraining force. If the price of cotton had not been lowered to a competitive level, cotton evidently would have seen losses even steeper than anything experienced down to that time.

The reduction in the price did not remove all of cotton's serious competitive problems. Price is not the only competitive factor; but this one factor by itself was rapidly destroying the domestic market, and the price reduction did check this catastrophe and offer cotton a new lease on life and a new chance to compete.

IMPORTS

The cotton content of the textile products imported into the United States in a recent period of years is given below in thousands of bales, with a breakdown of the total according to three major stages of manufacture:¹⁹

FIBER COMPETITION

A basic purpose of competitive one-price cotton was to check cotton's losses to other fibers in the domestic manufacture of textiles. The competitive record leading up to this legislation, and the brief period of experience following its enactment, are summarized below. The figures represent annual fiber consumption on the cotton spinning system. The rayon and noncellulosic fibers are converted to equivalent bales of cotton.²⁰

¹⁹ Source: U.S. Department of Agriculture.

²⁰ Source: Computations based on statistics of U.S. Bureau of the Census, with rayon and noncellulosics converted to cotton equivalent by means of commonly used conversion factors (available on request).

Year	Total consumption in bales or bale equivalents	Percentage of consumption		
		Cotton	Rayon	Noncellulosics
1958-----	9,102,000	88.24	9.48	2.28
1959-----	10,267,000	88.06	9.22	2.73
1960-----	9,880,000	88.49	8.48	3.03
1961-----	9,817,000	87.06	9.44	3.50
1962-----	10,405,000	84.19	11.05	4.76
1963-----	10,538,000	80.15	13.11	6.75
1964-----	11,198,000	79.03	13.41	7.55

Here it is evident that cotton was holding its own against its closest competition during the period 1958-60, but that a sharp reversal got underway in 1961 and continued through 1963. Since the reduction in the price of cotton did not begin until April 1964, a comparison of certain calendar quarters is necessary if we are to measure competitive changes in relation to this action. The following quarterly figures are in annual rates.

	Total consumption in bales or bale equivalents	Percentage of consumption		
		Cotton	Rayon	Noncellulosics
1960 (1st quarter)-----	10,334,000	88.57	8.44	2.99
1964 (1st quarter)-----	10,860,000	78.96	13.80	7.24
1965 (1st quarter)-----	11,884,000	78.92	12.60	8.48

Between the first quarters of 1960 and of 1964, total consumption on the cotton system rose by the equivalent of 526,000 bales, but cotton consumption actually declined from a rate of 9,153,000 to 8,575,000, or by 578,000 bales. If it had held the same percentage of this market throughout this period, its consumption would have risen to a rate of 9,619,000 bales by the first quarter of 1964, and cotton would have experienced a gain of 466,000 bales rather than a loss of 578,000. Therefore, its competitive loss across these 4 years (466,000 plus 578,000) was 1,044,000 bales on the cotton system alone.

The dominant cause of this competitive loss was a sharp change in the price relationship of cotton and rayon staple fiber. The price of rayon was lowered 5 cents a pound in 1960 and 1961. The market price of cotton was raised by an average of 3½ cents or more in 1961. The result gave rayon an overwhelming advantage, and it swept into cotton's markets. The higher cotton price, combined with many reductions in noncellulosic prices, contributed also to an acceleration in the competitive gains of these fibers.

In turn the sharp reduction in the price of cotton to domestic mills during 1964, brought a check to cotton's net competitive losses. The effect was felt mainly in the competition with rayon, which depends heavily upon price relationships. Rayon's share of the cotton system market fell back from 13.8 to 12.6 percent. The noncellulosic fiber competition, which is governed less by price and more by sales promotion, was affected relatively little. These fibers scored a further gain from 7.24 to 8.48 percent. On balance, however, cotton succeeded in holding substantially the same percentage of the market between the first quarters of 1964 and of 1965. This clearly was caused primarily by the lower price.

Since total consumption on the cotton system was rising between early 1964 and early 1965, cotton consumption rose in annual rate by 804,000 bales—the first such achievement since 1959.

Between the first quarters of 1960 and of 1964 cotton's share of the fiber used in its own spinning system fell from 88.57 to 78.96 percent, or about 2.4 percentage points per year. As a percentage of the present market this would amount to 285,000 bales per year. There is little basis to doubt that if the price had not been lowered, cotton's competitive losses would not only have continued but would have accelerated further. Textile firms do not ordinarily shift from one fiber to another without spending a great deal of time, effort, and money upon research and experimentation, designing, market analysis, and sales promotion.

All these efforts were set in motion on a big scale by the adverse price developments of 1960-61. It is clear from the above figures that cotton's competitive losses began at a relatively modest rate and accelerated as the years passed. The loss amounted to 1.43 percentage points in 1961; 2.87 in 1962; and 4.04 in 1963. By the first of 1964 it was well known that great preparations had been made for bigger shifts into manmade fibers and faster abandonment of cotton. There was, however, a growing expectation that legislation would be adopted to lower the price of this fiber, and this served as a restraining force. If the price of cotton had not been lowered to a competitive level, cotton evidently would have seen losses even steeper than anything experienced down to that time.

The reduction in the price did not remove all of cotton's serious competitive problems. Price is not the only competitive factor; but this one factor by itself was rapidly destroying the domestic market, and the price reduction did check this catastrophe and offer cotton a new lease on life and a new chance to compete.

IMPORTS

The cotton content of the textile products imported into the United States in a recent period of years is given below in thousands of bales, with a breakdown of the total according to three major stages of manufacture: ²¹

	Yarn and thread	Cloth	End products	Total
1957-----	0.9	68.1	130.1	199.1
1958-----	2.5	77.8	153.5	233.8
1959-----	3.7	138.6	218.0	360.3
1960-----	36.2	265.1	224.2	525.5
1961-----	33.4	168.6	191.6	393.5
1962-----	68.4	302.2	274.7	645.5
1963-----	55.4	309.1	269.5	634.0
1964-----	39.2	285.8	300.5	625.6

A big objective of the 1964 cotton legislation was to eliminate the two-price system, under which cotton had been exported across all the years listed above at prices generally from 6 to 9 cents a pound lower than the prices available to domestic mills. While this much difference in the price of cotton is a small factor in the cost of textile products at the retail counter, it is the major item in the cost of manufacturing yarn or cloth. The breakdown of the consumer clothing dollar, given on page 14, puts the matter in perspective. Of the average dollar spent at retail for cotton clothing and household articles, the cost of cotton delivered to the textile mill represented 17.2 cents. The various textile manufacturing processes added 11.9 cents, so that the value of the finished cloth represented 29.1 cents of the average retail dollar. Thus it appears that the cost of raw material absorbed on average about 59 percent (17.2-29.1) of all textile mill revenue from the sale of cotton products. In contrast, the after-tax profits of the textile industry during the 8 years given above averaged only 2.4 percent of sales. Thus the differential in the raw cotton prices available to domestic and export customers provided an enormous profit advantage to the foreign manufacturer, who could buy his cotton on the world market and ship his goods to the U.S. market in competition with American manufacturers who could only buy their cotton at the higher domestic price.

The figures above show the swift advance of imports from 1957 to 1960. During 1961 the first international arrangement allowing some use of import quotas went into effect. In October 1962 a 5-year arrangement of this nature (referred to as the Geneva agreement) became effective, and the results are apparent in the relatively stable level of imports after 1962.

The great importance of the return to one-price cotton tends to be obscured by this development, but it is essentially this: (1) the Geneva agreement is vital to the future of the U.S. cotton and cotton textile economy; and (2) one-price cotton is vital to the future of the Geneva agreement. The present arrangement expires in 1967, and great concern has been expressed as to whether a number of the exporting nations will agree to renew it. The fervor of their special interest in invading more of the U.S. textile market must spring from the abnormal profits which have been available to them under the two-price

²¹ Source : U.S. Department of Agriculture.

cotton system. By removing the two-price system, we have removed the source of the abnormal profits, and continuance of the Geneva agreement can be discussed in an atmosphere of relatively sane and normal cost relationships.

Even with the agreement in force, the volume of textile imports is subject to some movement up or down for a variety of reasons. The reasons include seasonal influences, strength or weakness in domestic demand, a tendency for some imports to escape the quotas, and a provision for a 5-percent annual increase in the quotas. The return to one-price cotton can also be expected to exert an influence, since the lower domestic price removes a great competitive disadvantage of domestic against foreign manufacturers. Insofar as this action results in lower product prices, it tends to restrain import competition. In the period since April 1964, however, the domestic textile market has been very strong—so strong, in fact, that mill capacity could not immediately supply the demand in many types of fabric. This temporary situation inevitably tended to encourage imports.

Monthly import figures for the 12 months beginning with April 1964, are presented below in comparison with those for the preceding 12-month period. Again these are expressed in thousands of bales of cotton content.²²

April-March period	Yarn and thread	Cloth	End products	Total
1963-64.....	60.3	284.2	264.3	608.8
1964-65.....	30.1	306.2	314.1	650.4

Of these three product categories, the only one which unquestionably has already experienced a large, overall reduction in prices, despite strong demand is the one in which the price of cotton plays the greatest part—namely, the yarn. Accordingly we find the result which might have been expected: Imports have been forced back by approximately 50 percent. In clothing and other end products, in which the cost of raw cotton is a relatively small cost component, imports rose further by 19 percent. The cloth is in a middle position, and we find, not at all surprisingly, that in this period of very strong domestic demand, there was a further increase of 8 percent.

A closely related subject is the importation of rayon staple fiber. The big expansion of rayon consumption was supplied in considerable part by imports, as the following figures show. The figures are in terms of cotton bale equivalents and are by calendar quarters.

	Rayon consumption on cotton spinning system ¹	Rayon staple imports ²
1961:		
I.....	198,756	18,660
II.....	224,439	13,313
III.....	237,913	15,791
IV.....	262,520	37,368
1962:		
I.....	277,825	35,795
II.....	279,191	22,989
III.....	274,253	28,028
IV.....	313,717	29,529
1963:		
I.....	329,133	48,034
II.....	342,209	61,540
III.....	336,536	69,060
IV.....	365,030	88,812
1964:		
I.....	377,090	92,398
II.....	379,835	68,044
III.....	362,961	45,152
IV.....	³ 399,756	54,795
1965: I.....	378,163	44,706

¹ Converted to bale equivalents from statistics of U.S. Bureau of the Census.
² Converted to bale equivalents from statistics of Textile Economics Bureau.
³ The figure for 4th quarter of 1964 is inflated by inclusion of 14 weeks in reporting period, whereas all other quarters cover only 13 weeks.

²² Source: U.S. Department of Agriculture.

By the first quarter of 1964, these imports had reached 92,398 cotton bale equivalents, or an annual rate of about 370,000. The value of these imports at such a rate would have been about \$35 million a year (figured in the countries of origin prior to addition of tariff and transportation costs). The rise in imports clearly was caused by the surging demand, which in turn was caused very largely by rayon's gains against cotton under prevailing price relationships. The lower cotton price after the first quarter of 1964 brought a leveling off in rayon consumption on the cotton system and a precipitate decline in rayon staple imports.

CAPITAL INVESTMENT

The recent decisions of textile executives to expand their capital investment take on more meaning if we consider the figures across a period of years and if we place them alongside similar figures for American industry as a whole. The following are expenditures upon new plant and equipment in millions of dollars: ²³

Year	All manu- facturing industries	Textile mill products industry
1956	14,954	465
1957	15,959	408
1958	11,433	288
1959	12,067	412
1960	14,480	530
1961	13,680	500
1962	14,680	610
1963	15,690	640
1964	18,580	760
Seasonally adjusted annual rates by quarters:		
1964: I	17,400	600
II	17,800	650
III	18,850	800
IV	20,150	950
1965: ¹ I	20,950	950
II	21,300	1,000
III and IV	21,850	1,100

¹ Projections.

Across the whole period shown here, textile investments were in a stronger upward trend than those of industry as a whole. This trend reflects the rapid development of improved machinery, among other factors. Nevertheless the sudden burst of new capital investment in textiles since early 1964 is exceptional by any standard. From the first quarter of 1964 to the last half of 1965, the annual rate is projected to rise by 83 percent in textiles, compared with 26 percent for all manufacturing industry. For textiles the net increase will be nearly three times as great in this brief recent period as in all the preceding years shown here.

To a certain extent an increase in capital spending comes almost inevitably with an increase in profits, but the exceptional surge of textile investment since early 1964 reflects a great deal more than this. So long as the two-price system imposed its great competitive burden upon the domestic industry, the whole future of the industry was overshadowed and uncertain. Anyone familiar with the viewpoint of textile executives will testify that this is true. The removal of this burden brought a change of attitude which looks far beyond the present short-term period of profits based on booming demand. While the future of cotton legislation remains in doubt, it seems purely factual to report that mill executives now generally feel that a return of the two-price systems is unthinkable and will not come about. Therefore they have begun investing for the future in a way that had not been possible for many years before. A large part of the rise in mill investment seems to be a direct result of the return to one-price cotton.

On the subject of plant and equipment, it would also be appropriate to inquire what has happened to investment decisions in other industries which might have been affected by the sharp reduction in the domestic cotton price. As for the manmade fiber industry, Textile Organon reports a planned expansion of 947

²³ Source: U.S. Department of Commerce and Securities and Exchange Commission.

million pounds, or 26 percent, in annual production capacity between November 1964 and November 1966.²⁴ As we have noted, the lower cotton price did not prevent the manmade fibers (rayon and the noncellulosics combined) from holding their same relative share of the market, even on the cotton spinning system. It merely checked their rapid gains against cotton, and gave cotton a new chance to compete.

The producer of cotton has experienced a reduction of some 2½ cents, or roughly 8 percent, in his support price, and has already received news of a further 1-cent reduction for the season ahead. Inevitably this means a sharp reduction in his net income and spending power. His hope for the future depends on a whole range of questions: the speed with which his costs can be brought down with new technology; the success of his efforts to get rapid and effective expansions in research and sales promotion; the solution of his export problem; the nature of future Government policy as it affects his acreage, his selling price, his labor costs, and so on. Competitive one-price cotton did bring at least a temporary solution to one of his most pressing problems; namely his rapid competitive losses on the domestic market.

On balance the new events of 1964 did not seem to check the determination of efficient cotton producers to go forward with big programs of capital investments. For the period since April 11, 1964, the figures already available are quite limited, but they tend to support this conclusion. We have figures on the investment in land leveling in three areas highly dependent upon cotton; namely, the States of Mississippi and Arkansas, and 11 counties in the high plains of Texas. Total investment rose from \$1,982,000 in 1963 to \$2,336,000 in 1964, or 18 percent. A survey reveals that sales of cotton-picking machines in the midsouth area rose 25.8 percent between the 2 years. The number farm wheel tractors sold at retail in the 14 main cotton-growing States rose from 1963 to 1964 by 3.3 percent, which was slightly more than the percentage gain in the country as a whole. Dollar sales undoubtedly rose faster than this because of the trend to tractors of greater horsepower size.

CONCLUSION

When we try to appraise the forces which have been at work in our domestic textile economy during recent months, and to distinguish in a sensible way the results which really seem to have flowed from competitive one-price cotton, the following conclusions seem reasonable:

(1) The American consumer has benefited substantially, and the amount of benefit seems quite reasonable in relation to the small part which raw cotton plays in the cost of most textile items on the retail counter. Retail prices for clothing rose only one-fifth of 1 percent between the fourth quarters of 1963 and of 1964. This was a year of extraordinary strength in the demand for clothing, when clothing prices might well have risen more, not less, than the 1.2 percent average increase in consumer prices as a whole. Despite the powerful demand (and despite many claims to the contrary) the weight of the evidence indicates that the average price of cotton cloth did not rise, but actually declined. It seems reasonable to conclude that the restraining effect of lower-priced cotton upon the natural tendency of cloth prices to rise in such a period, was the main reason why average clothing prices remained almost unchanged. From March 1964 to March 1965, Government price indexes show that all items purchased by consumers rose more than 1.2 percent, while clothing (made from all fibers) rose less than 0.5 percent. Wholesale price indexes for the same period show home-furnishings (reported separately for cotton) down more than 0.5 percent, cotton cloth down about 1 percent, and cotton yarn down more than 6 percent. In contrast, manmade fiber cloth was up over 2.8 percent. Throughout this analysis, the downward pull of cotton upon textile prices has been apparent, with the effect showing up most clearly where the fiber cost is greatest in comparison with other costs. In addition, the consumer benefits greatly from the fact that the lower price has resorted cotton to a position in which it has a chance to remain in contention for the consumer's business. The competitive struggle between cotton and manmade fibers is bound to mean better values for the consumer.

(2) The rise in textile mill profits was caused mainly by the booming retail demand for textile products. Retailers and apparel manufacturers shared

²⁴ Issue of December 1964.

quite handsomely in the same good fortune, and in fact the latter group had a bigger percentage profit gain than textile industry. To some extent, however, the lower price of cotton must have contributed to the improved textile profits, since it restored American cotton to a competitive price relationship against manmade fibers and against the cotton contained in textile imports.

(3) The lower domestic price did check cotton's rapid competitive losses on the home market and did remove the demoralizing effect of imported textiles manufactured abroad from cotton purchased under the former two-price system. In the domestic spinning industry the rapid substitution of manmade fibers for cotton, which was threatening to destroy the American cotton economy, has been brought under reasonable restraint. Noncellulosic fibers continue to gain on cotton, but the gains of rayon have been stopped and reversed. On balance, cotton has begun holding its share of the market competitively for the first time since 1960. This is the main achievement which might logically have been expected from competitive one-price cotton.

(4) Before the decision was made to restore competitive one-price cotton, the rapid competitive losses to other fibers made it extremely apparent that there were no choices available for the U.S. cotton economy except (1) destruction or (2) a radical price reduction. Until a decision was made, the whole cotton and textile economy was in a state of acute uncertainty about the future. When the second of the two alternatives was adopted, cotton's domestic market received a new lease on life and the textile industry responded with a remarkable burst of new investment in plant and equipment. The health of the whole U.S. economy was benefited by the resulting investment, employment, incomes, and improved confidence in the future.

(5) One-price cotton is making an important contribution toward the solution of the balance-of-payments problem. An adverse development of vital importance is the decline in raw cotton exports. This must be corrected not only because of the effect on the payments balance, but because it is basic to the survival of the whole cotton economy. It must be remembered, however, that this subject is outside the scope of the present study, since competitive one-price cotton has not caused the loss in exports (see p. 3). It has caused the total imports of cotton textiles to be less than they would otherwise have been, and more fundamentally, it has removed an insuperable obstacle to renewal of the Geneva agreement on reasonable terms. It has caused imports of rayon staple fiber to fall sharply below what they otherwise would have been. And it has been a major cause of the great advance in the textile industry's capital investment. In a period when the balance of payments was strained toward the breaking point by the rapid out-movement of industrial capital to other countries, the textile industry became the outstanding example of increased investment at home. This not only helped on the short-run problem, but it laid the basis for greater efficiency and thus greater competitive power against foreign textiles in the future.

(6) These genuine results flowing directly from competitive one-price cotton were bound to reach out into every part of the U.S. economy—generating new investment, employment, and income in far more ways than we could enumerate here—raising the real living standards of the people—contributing more tax revenue and reducing the need for other Government spending on the problems of agriculture, of poverty, of depressed areas, and so on. Against a net increase in cost of some \$250 million a year, the benefits of competitive one-price cotton seem large indeed.

HOW A MAJOR CUT IN COTTON ACREAGE COULD AFFECT THE AMERICAN AGRICULTURAL ECONOMY

(A Study by the National Cotton Council, Memphis, Tenn., December 1964)

Many questions are being raised as to the kind of agricultural adjustments that would be likely if cotton production should be cut back sharply because of failure to keep cotton competitive in price.

Without a competitive price, it is pointed out, the export market for cotton could be lost and the domestic market greatly reduced, so that the basic national cotton allotment would have to be cut back from 16 million to perhaps 8 million acres within a short period of years.

The council has been asked to provide factual information on what could logically be expected to take place if the resources formerly devoted to 8 million acres of cotton should have to be diverted to other uses.

CONCLUSIONS

Short-term effects

Even though the 8 million former cotton acres are diverted to the next most profitable crops, gross income from this land could be expected to drop by well over 50 percent, even if prices of the other crops did not decline.

Soybean production would be increased by something like 69 million bushels—adding to the danger of oversupply and lower prices.

Feed grain production would likely be increased by close to 5 million tons—thus increasing the already serious problems of oversupply.

Commercial vegetable production would probably be increased by nearly 3 million tons—which could completely demoralize the markets for these products.

Long-term effects

As cotton shrinks in importance, those who once built their operations around this crop would have to develop new farming systems; inevitably, their new emphasis would be on growing more feed—plus conversion of this feed into beef, milk, pork, eggs, and broilers.

Substantially larger supplies of animal products would have a depressing effect on prices throughout the whole livestock economy of the Nation.

The impact on beef would be especially heavy because the Cotton Belt, with low-cost forage to go with its feed grain potential, would have a competitive advantage in cattle production.

BASIC CONSIDERATIONS

Currently, cotton accounts for less than 45 percent of the total crop acreage harvested on most cotton farms. Yet cotton still accounts for roughly four-fifths of the total gross income on these farms, and an even higher share of their net income. If cotton allotments should be cut in half, farmers would face a desperate need for alternative uses for their resources—uses that would be capable of filling as much of the cotton income void as possible.

In considering what would be done with the resources formerly devoted to cotton, it is important to keep the following points in mind:

(1) The 8 million acres of cropland involved are among the most productive in America.

(2) From the standpoint of climate and geography, these acres are adaptable to a broad range of production possibilities.

(3) The management of these acres is among the most alert and progressive in the Nation.

(4) While cotton has always been a regional crop, the major alternatives to it are critically important in other sectors of American agriculture.

(5) The output from 8 million former cotton acres would in many cases be competing in markets that are even now tormented by the problem of oversupply.

SHORT-TERM ADJUSTMENTS

The adjustments that farmers would make to the loss of 8 million acres of cotton would not work themselves out in a year or several years.

Initially, farmers would undoubtedly fall back on those enterprises which seem to offer the prospect of the highest return, with a minimum of farm reorganization and new investment. The attractiveness of alternative enterprises would, of course, vary greatly from one area of the Cotton Belt¹ to another.

Table 1 provides a starting point for considering what adjustment might be made. It shows, for example, the amount of land currently devoted to allotment crops. And it is reasonable to assume that the other allotment crops—tobacco, peanuts, sugar, rice, and wheat²—do not offer any alternative for land taken out of cotton.

Thus the candidates for absorbing the acreage withdrawn from cotton would be those grouped under the heading of "other crops"—soybeans, feed grains, hay for cash sale, and a variety of speciality crops, including vegetables for the fresh

¹ Includes the 14 major cotton-producing States identified in table 1.

² It is possible that some nonallotment wheat might find a place on some Cotton Belt farms as an alternative to the regular feed grain crops—if the Government's current short-term wheat program should be continued. However, there is no feasible way to take this into account in this study.

market and for processing. Total acreage of these nonallotment crops would be increased by about 15 percent.

TABLE 1.—*Projected cotton acreage reduction in relation to cropland use in the Cotton Belt*

State and region	Crop acreage harvested in 1963			Cotton allotment reduction	
	All crops	Allotment crops ¹	Other crops	Acres withdrawn ²	Ratio to nonallotment crops
	<i>Thousands</i>	<i>Thousands</i>	<i>Thousands</i>	<i>Thousands</i>	<i>Percent</i>
Alabama.....	3, 209	1, 065	2, 144	470	21. 9
Georgia.....	4, 225	1, 257	2, 968	406	13. 7
North Carolina.....	4, 475	1, 260	3, 215	219	6. 8
South Carolina.....	2, 657	698	1, 959	333	17. 0
Southeast.....	14, 566	4, 280	10, 286	1, 428	13. 9
Arkansas.....	5, 755	1, 824	3, 931	664	16. 9
Louisiana.....	2, 487	1, 556	931	279	30. 0
Mississippi.....	4, 480	1, 533	2, 947	766	26. 0
Missouri.....	11, 630	1, 539	10, 091	178	1. 8
Tennessee.....	3, 858	713	3, 145	266	8. 5
Midsouth.....	28, 210	7, 165	21, 045	2, 153	10. 2
Oklahoma.....	7, 901	4, 282	3, 619	372	10. 3
Texas.....	19, 876	8, 923	10, 953	3, 400	31. 0
Southwest.....	27, 777	13, 205	14, 572	3, 772	25. 9
Arizona.....	1, 051	414	637	166	26. 1
California.....	6, 517	1, 665	4, 852	367	7. 6
New Mexico.....	1, 087	397	690	86	12. 5
West.....	8, 655	2, 476	6, 179	619	10. 0
14 States.....	79, 208	27, 126	52, 082	7, 972	15. 3

¹ Cotton, tobacco, peanuts, sugar, rice, and wheat.
² Based on a national allotment of 8,000,000 acres, and the assumption that the present small farm reserve is continued. It is recognized that the acreage of cotton harvested each year is somewhat less than the total allotment acres available—due to the failure of some farmers to plant their full allotment and to abandonment of part of the planted acreage prior to harvest. Thus the adjustment ensuing from a change in the national cotton acreage allotment would actually involve somewhat more or somewhat fewer acres of harvested cropland, depending on how the matter of underplanting and abandonment is dealt with. We have not attempted to make allowances for these factors in this analysis.

Farmers would, of course, turn to those particular crops that seem to offer the highest net returns in the various areas of the belt. Table 2 indicates, for example, that the “next best” field crop alternative in the delta would be soybeans; in the San Joaquin Valley, alfalfa hay; and in still other areas, feed grains. In most cases, as we note in column 7, the alternative field crops would not provide nearly as high a return as had formerly been received from cotton.

In addition to field crops, farmers would certainly take a close look at possibilities for growing such specialty crops as vegetables, berries, tree crops, and nursery products.

Specialty crops—A limited opportunity

While there are no major technical obstacles in diverting cotton land to specialty crops, the opportunity here is sharply limited. Specialty enterprises are characterized by: (1) high output per acre; (2) markets which are highly inelastic and susceptible to sharp breaks in price.

Consider the fresh vegetable market, for example. The Cotton Belt already accounts for 58 percent of the Nation's total fresh vegetable acreage. Of the 10.6 million tons produced in 1962, these States supplied 6 million tons—California alone supplied 3.4 million tons. Moreover, we have the fact that this tonnage actually consisted of 27 different vegetable crops and each of these was segmented regionally and seasonally in ways hopefully calculated to synchronize with the amounts the market would take at acceptable prices. The market for these crops is notorious for the price collapses that accompany an oversupply of any particular perishable at any particular time.

Vegetables for processing might appear more promising. Certainly there would not be the same problem of matching production with seasonal characteristics of markets. But in the Cotton Belt the average yield of processing vegetables is more than double the yield in other producing States, taken as a group.

Thus we are forced to the conclusion that vegetable production—either for the fresh market or for processing—is not likely to provide a profitable use for much of the land formerly in cotton. Perhaps 5 percent of the acreage withdrawn from cotton would be used for vegetable production. But the most likely effect of this would be the demoralization of markets for vegetable producers who are already in the business, in the Cotton Belt and over the rest of the country.

Soybeans

Soybean production in the United States has approximately doubled since the early 1950's and a significant part of this expansion is accounted for by acreage diverted from cotton in the Midsouth and Southeast. With current price-cost relationships, soybeans clearly represent the best alternative to cotton in the Midsouth, and it seems likely that at least 90 percent of the acreage withdrawn from cotton production would be utilized for this crop in this region.

In the Southeast, soils, the scale of cotton farming operations, and other considerations impose certain restrictions on the potential role of soybeans as an alternative to cotton. However, even here it seems probable that soybeans might replace as much as two-thirds of the acreage withdrawn from cotton.

TABLE 2.—Returns from selected crop alternatives for representative cotton production situations

Area and crop	"Normal" yield		1963 price (3)	Gross return per acre (4)	Operating expense per acre ¹ (5)	Return above expense (6)	Cotton price for equivalent return ² (cents) (7)
	Cotton (1)	Alternate crop (2)					
Southern Piedmont	354 pounds	30.4 bushels	\$1.28	\$38.91	\$35.87	\$3.04	23.3
Corn		39.5 bushels	.82	32.39	24.14	8.25	24.8
Oats							
Southern Coastal Plains	404 pounds	36.5 bushels	1.26	45.99	34.79	11.20	26.2
Corn							
Mississippi Delta	562 pounds	44.1 bushels	1.26	52.16	28.87	22.29	17.6
Corn		44.7 bushels	.79	35.31	22.14	13.17	16.0
Oats		24.3 bushels	2.59	62.94	19.21	43.73	21.5
Soybeans							
Black Prairie, Tex	194 pounds	28.8 bushels	1.30	37.44	16.48	20.96	28.2
Corn		19.64 hundredweight	1.82	35.74	18.01	17.73	26.6
Grain sorghum							
High Plains, nonirrigated	259 pounds	13.64 hundredweight	1.74	23.72	11.78	11.94	14.8
Grain sorghum							
High Plains, irrigated	556 pounds	33.60 hundredweight	1.74	58.46	21.62	36.84	17.9
Grain sorghum							
San Joaquin Valley	1,030 pounds	61.9 bushels	1.46	90.37	75.46	14.91	16.6
Corn		54.4 bushels	1.13	61.47	36.45	25.02	17.6
Barley		5.5 tons	30.12	165.66	92.92	72.74	22.2
Alfalfa							

¹ Expenses exclusive of general farm overhead and charges for the use of land and other capital.

² The price per pound of lint which, with the yield shown in col. (1) would provide a return per acre equal to the return shown in col. (6) for the alternative crops.

Source: U.S. Department of Agriculture, ERS No. FCR-20, "Costs and Returns Commercial Cotton Farms," May 1964.

Because of cost-price considerations, soybeans have not yet found an acceptable place in the agriculture of the West and Southwest—except for a small volume that only recently reached commercial significance in Texas and Oklahoma.

Hay for cash sale

In most of the United States and in most of the Cotton Belt, virtually all of the hay production is utilized on the farms that produce it. The only major exception to this is found in the irrigated valleys of the West where dairies supplying major metropolitan areas, feedlot operations and extensive range livestock operations provide an extensive cash market for hay. This is mainly alfalfa because of its preferred position as a roughage feed, and also because it fits particularly well into a crop rotation sequence generally considered necessary for the management of irrigated soils in this region.

Given current cost-price relationships, alfalfa produced for the sales market affords a more attractive return than any other general field crop alternative to cotton in the West. With a cutback in cotton acreage, alfalfa production would be increased considerably.

But there are some practical limits on the potential expansion of alfalfa acreage. An important one is the fact that the water requirement for alfalfa is substantially greater than for cotton. Another is the fact that the market for sales hay is, in the final analysis, tied to the number of roughage-consuming livestock in some reasonable proximity to the farms that produce the hay. And an excessive hay supply would, as experience has shown, likely weaken prices to a level that this crop would become no more profitable than feed grain production. So let's assume that alfalfa would replace about half of the cotton acreage that would be lost in the irrigated West.

Feed grains

The conclusion seems inescapable that the feed grain crops—corn, grain sorghum, barley and oats—would utilize a substantial part of any acreage diverted from cotton production, for the simple reason that there are no other cash crop alternatives in many parts of the belt. For practical purposes, we can assume that virtually all of the acreage withdrawn from cotton would be utilized for feed grain production except that which we have previously suggested might go into vegetable crops, soybeans, and alfalfa. Obviously, there is a potential here for worsening a feed-livestock situation that already poses great problems for American agriculture.

Summary—Short-term projections

In summary, when we examine what seem to be the best short-run alternatives to cotton, the adjustments in terms of crop acres would be as indicated in table 3.

TABLE 3.—*Projected use of acres withdrawn from cotton*

[Thousands of acres]

	Commercial vegetables	Soybeans	Alfalfa hay	Feed grains	Total
Southeast.....	71	957	-----	400	1,428
Midsouth.....	108	1,938	-----	107	2,153
Southwest.....	188	117	-----	3,467	3,772
West.....	31	-----	310	278	619
14 States.....	398	3,012	310	4,252	7,972

Further, it seems reasonable to assume that, because of their greater productivity, the acres diverted from cotton into these crops (except vegetables) would produce yields at least 10 percent higher than yields currently obtained from the average acre devoted to them. The resulting production would, in each case, represent a substantial increase over the volume currently produced in the Cotton Belt, as indicated in table 4.

TABLE 4.—*Projected production from former cotton acres*

	Commercial vegetables (thousand tons)	Soybeans (thousand bushels)	Alfalfa hay (thousand tons)	Feed grains (thousand tons)
Current production in the Cotton Belt.....	9,719	195,091	¹ 7,774	27,449
Production expected from acres diverted from cotton.....	2,809	68,628	1,742	4,709
Percent increase.....	29	35	22	17

¹ Production in the 3 western cotton States.

Inevitably, these short-term adjustments we have projected could not be considered very satisfactory from the standpoint of the farmers who are forced to find alternatives to cotton. The reason is simply that these cash crop alternatives would replace only a small part of the income currently realized from cotton. The gross receipts from these best short-run alternatives—even at last year's prices—would amount to only \$576 million as against the \$1,360 million gross realized from cotton on the same acreage in 1963. This 58-percent reduction in gross income would be accompanied by an even sharper reduction in net income.

So as cotton shrinks in importance—and as it becomes evident that the cotton acreage loss is permanent—it would become apparent to farmers that their short-run adjustments are far from adequate. Faced with a desperate need to compensate as fully as possible for the loss of revenue from cotton, they would be forced to think in terms of the longrun adjustments that would seem to offer them the opportunity to make the highest possible income. And the longrun adjustments would be sharply different from those that have been projected in the short run.

POTENTIAL FEED AND LIVESTOCK PRODUCTION IN THE LONG RUN

To the extent that a satisfactory adjustment can be made, we must conclude that it will entail the development of production systems and the application of technology not now typical of most cotton farming operations. In the long run, the most likely course would involve greatly expanded production of feed crops—coupled with the conversion of that feed into animal products.

The current situation

Taken as a group, the feed grain crops—corn, grain sorghum, barley and oats—already account for more crop acreage than any other single enterprise in the 14 principal cotton growing States. The 27.4 million tons of feed grains harvested in these States accounted for almost 18 percent of the total feed grain production in the United States in 1963.

But this aggregate picture pertains to feed grain production on all farms in these States, and only a part of them grow cotton. A breakdown of feed grain production between the farms that grow cotton and those that do not, as shown in table 5, was derived from the last census of agriculture.

TABLE 5.—*Feed grain production in the Cotton Belt in 1963*

Region	Farms growing cotton			Other farms		
	Acres (thousands)	Yield (hundred- weight)	Production (thousand tons)	Acres (thousands)	Yield (hundred- weight)	Production (thousand tons)
Southeast.....	2,123	18.9	2,006	3,463	25.8	4,474
Midsouth.....	1,534	20.2	1,548	4,880	30.5	7,437
Southwest.....	5,966	19.5	5,822	2,979	20.1	2,987
West.....	783	30.4	1,189	1,601	24.8	1,986
14 States.....	10,406	20.3	10,565	12,923	26.1	16,884

Thus we note that cotton farms account for about 45 percent of the acreage but only 38 percent of total production of feed grains in the Cotton Belt. This clearly reflects the fact that in many cotton-growing situations, feed grain production is dictated largely by crop rotation systems and other management considerations in which the direct revenue from these crops is of secondary importance. However, if cotton farmers were compelled to turn to these crops for a major portion of their income, it seems certain there would be a swift adjustment in production methods and crop choices, and sharp increases in yields per acre.

Feed grain production efficiency

What kind of feed grain yields could be produced on cotton farms if the best available technology is utilized? The answer for the Southeast and Midsouth is indicated in a series of reports on cooperative research conducted by the USDA and the State agricultural experiment stations.³ Data from these reports are shown in table 6.

TABLE 6.—*Examples of potential increases in feed grain yields*

	Yields with current technology (bushels)	Yields with advanced technology (bushels)	Potential increase (percent)
Wiregrass area of Alabama:			
Corn.....	27	50	85
Oats.....	45	65	44
Limestone Valley of Alabama:			
Corn.....	41	65	59
Oats.....	51	70	37
Mississippi Delta (Ark., La., and Miss.):			
Clay soils:			
Corn.....	23	46	100
Oats.....	40	50	25
Mixed soils:			
Corn.....	35	65	86
Oats.....	50	60	20
Sandy soils:			
Corn.....	46	81	76
Oats.....	50	60	20

Thus, in making projections for the Southeast and Midsouth, it is reasonable to assume that present feed grain acreage on cotton farms would give higher yields—at least as high as the level reported for noncotton farms. Further, it seems reasonable to expect that the acreage diverted from cotton to feed grains would, because of its greater productivity, provide yields 10 percent higher than the average.

On southwestern cotton farms where feed grains currently are grown, they are generally produced in areas where lack of rainfall imposes sharp restrictions on yields. Irrigation could sharply increase yields—but water is limited.

As things now stand, cotton unquestionably receives preferential treatment over feed crops in the allocation of water. Given a sharp reduction in the cotton allotment, however, both land and water would be released to feed grains. Overall, the effect would be to increase the average yield of the region by an estimated 15 percent.

In the West about three-fourths of the feed acreage currently grown on cotton farms is accounted for by barley, even though this crop yields about one-third less grain per acre than milo and corn. This cropping pattern is dictated largely by the fact that milo and corn compete directly with cotton for available water supplies and labor, whereas barley is grown in the winter months and is harvested before the peak demands of the summer crops. If cotton acreage is substantially reduced and the competition for water during the summer months is correspondingly diminished, milo or corn would be substituted extensively for barley. Probably all of the acreage diverted from cotton into feed grains would be planted to milo or corn. The substitution of milo or corn for half of

³ Projects contributing to southern regional farm management research project S-42 and carried out cooperatively between the several experiment stations and the Farm Production Economics Research Division, ERS, USDA.

the barley acreage in 1963 would have raised the average grain yield for cotton farms in this region to an estimated 35.2 hundredweight per acre—or about 15 percent. The expected yield from cotton acreage diverted to grain would be about 2 tons per acre.

Total grain production potential

If we assume the increased feed grain production efficiency described above—and if we also assume that 90 percent of the acreage withdrawn from cotton would ultimately go into feed grain crops—the total projection would then be as shown in table 7.

TABLE 7.—*Total feed grain potential on cotton farms*

Region	Projected acreage (thousands of acres)			Projected production (thousands of tons)		
	1963 acreage	Diverted cotton acres	Total	From 1963 acreage	From di- verted cot- ton acres	Total
Southeast.....	2,123	1,285	3,408	2,739	1,825	4,564
Midsouth.....	1,534	1,938	3,472	2,239	3,256	5,495
Southwest.....	5,966	3,395	9,361	6,683	3,802	10,485
West.....	783	557	1,340	1,378	1,114	2,492
Total.....	10,406	7,175	17,581	13,039	9,997	23,036

The total production of 23 million tons would be more than double the estimated 10.6 million tons actually produced on cotton farms in 1963, with the technology then in use. Acreage diverted from cotton into feed grain production would account for almost 80 percent of the increase. Added efficiency on the existing feed grain acreage would account for the remainder.

The animal product equivalent

As we saw earlier, the production of feed grains for the cash market falls considerably short of filling the income void that would result from the loss of cotton acreage. Thus, it is logical to assume that cotton farmers would turn to commercial livestock enterprises in the expectation of realizing an additional margin from the conversion of feed into animal products.

Table 8 indicates the relative gross values to be derived from converting grain into the five different animal products that cotton farmers would be likely to turn toward.

TABLE 8.—*Gross returns from converting grain into various animal products*

Class of livestock	Output per ton of grain fed ¹	Value of out- put in 1963
Hogs.....	319 pounds pork (live weight).....	\$47.53
Cattle and calves.....	185 pounds beef (live weight).....	36.82
Milk cows.....	17.4 hundredweight milk.....	71.34
Broilers.....	638 pounds meat (live weight).....	92.51
Hens and pullets.....	305 dozen eggs.....	104.92

¹ Based on average quantities of feed consumed by different classes of livestock as reported by the Economic Research Service, USDA (see Statistical Bulletin No. 233, table 12). For purposes of the above conversion, the feeding value of a ton of "average grain" is assumed to be 95 percent that of corn.

Grain converted into eggs at the rate of 305 dozen per ton would yield the highest gross return per ton of grain. In declining order from eggs are broilers, milk, pork, and beef. But these comparisons are quite limited in pointing toward the livestock alternatives that might actually be selected.

If the projected 23 million tons of feed grains should be heavily concentrated in turning out any single one of the higher gross animal products, it could have a shattering effect on the markets for that product throughout the country.

For example, if this amount of grain went solely into turning out eggs, it could increase total U.S. supplies by 133 percent. If it went into broilers, supplies could go up to 200 percent. Total milk production could be pushed up 32

percent; pork production by 35 percent. The potential increase in total cattle production is lowest at 14 percent.

Obviously, the 23 million tons of feed grain would not be concentrated wholly on any one product. But the above percentages do suggest the drastic consequences for American agriculture if cotton farmers should move very far toward those feeding enterprises which, at current prices and average conversion rates, yield the highest gross margins per ton of feed—eggs, broilers, milk, and pork.

For projection purposes, however, let's assume that as much as one-third of the projected grain production might be utilized at depressed—but still acceptable—rates of return in these higher margin livestock products.

Could the balance, almost 15.4 million tons, be profitably utilized in beef production—the enterprise which appears to afford the least attractive gross margin at average conversion rates?

Low-cost roughage

Clearly, an affirmative answer depends upon the development and substitution of low-cost roughage—hay, ensilage and pasture—in the place of a substantial part of the feed grain potential we have projected. It seems apparent that farmers would move in this direction, for the Cotton Belt has distinct advantages over other areas of the country in roughage production.

Moreover, the net additional feeding potential of the Cotton Belt would be increased—not decreased—by a proper emphasis on roughage production.

On a per-pound-of-dry-matter basis, the feeding value of roughage is about two-thirds that of grain. But this is offset by the fact that yields per acre of roughage are generally higher.

Then, too, the Cotton Belt, because of its long growing season and its mild winters, has a decided advantage over most other regions for producing low-cost forage in the form of pastures. In many cotton farming situations at present, there are extensive acreages of land which—because of topography, inadequate drainage, and various other technical and economic factors—are now largely unproductive. But these acres could become highly productive in pasture grasses under intensive management.

Moreover, there are extensive possibilities for producing temporary pastures through “double cropping” systems, and the grazing of residues left from harvested crops would become a significant additional source of forage.

Total feed beef projections

When we add all these potentials together, it is conservative to estimate that the total amount of feed available for beef production would be equivalent to 20.5 million tons of feed grains.

In turn, this amount of feed, at average conversion rates, could produce 3,788 million pounds of beef (live weight), a quantity equal to about 12½ percent of the total U.S. beef production in 1963.

Potential impact on cattle markets

The potential increase in beef production resulting from a major cutback in cotton acreage would certainly have an impact—perhaps a very substantial impact—on the U.S. cattle economy.

Beef production has been trending upward by nearly 4 percent per year, and this increase has been easily handled by those already in the cattle business.

The 12½-percent increase we have projected would be in addition to the normal upward trend in beef production. Taken together, they could possibly bring about a rise in the beef supply about equivalent to that which occurred between 1962 and 1964, with its accompanying steep drop in cattle prices.

Moreover, the projected 12½-percent increase is not based on nearly all of the expanded feed production going into beef. About one-third of the feed grain potential has been assumed to go into other animal products. This could be expected to create an ample, or overample, supply of other products such as pork and broilers, so that substitution of beef for other meats in the American diet would not be likely to ease the pressure on cattle prices.

The total impact of the projected shift of resources into beef production would likely result in a substantially lower average price level for cattle. And the producers in the Cotton Belt, with their competitive advantage in lower overall feed costs, would generally be in a better position to survive lower cattle prices than their counterparts in most other areas of the country.

The CHAIRMAN. I want to thank you for this very fine and thoughtful statement. It indicates that you and your associates have given a good deal of careful consideration to dealing with the problems confronting the cotton industry at the moment, but you end up by saying that all of this is a hope very much to be desired. How are you going to achieve this? Unfortunately, you do not suggest what can be done with the 14 million bales of cotton hanging over the market, and you do not advocate cutting back production. We have a 16-million-acre limitation now. We can produce more with 14 million acres now than we could produce on the 16 million acres a few years ago.

I propose to reduce the number of acres, to cut it to 14 million acres, but this is not a fixed figure, and is subject to negotiation. I do not see how we can justify holding the minimum acreage at 16 million acres. We know that if we do that, we will add to the already burdensome carryover, and it will cost a lot more money.

I think that the act we passed accomplished a lot. I do not want to minimize the program that we now have. I think that it has worked very well. It has increased the domestic consumption. It has resulted in an increase in wages to the people in the mills and you have pointed out some reduction in consumer costs which have occurred.

You are pretty positive about not having any further reduction.

We have had other statements which you probably have read from other farm leaders to the effect that we ought to do away with all price supports and let the farmers produce all that they want to produce and to just take care of some part of the domestic production.

Frankly, I do not know the answer. I do not know that this committee knows the answer. We have tried to find the answer.

We appreciate the suggestions you have made and that others have made. Just about every cotton-growing area in the country has presented suggestions, but we do have the problem before us, nonetheless.

It is easy to sit here and say go on with the same old program that we now have. You and I know what a hard time we had to pass this program originally. The program has been subjected to criticism, because some of the very diligent members of this committee have pointed out how much it has cost in subsidy to the mills without commenting about the advantages that the program has in it.

Under the law we cannot pay it to the producer, the farmer. That is the reason this bill provides that. I do not think that there is any evil or that there is anything unholy about a farmer receiving a subsidy direct from the Government. I think that is a lot of hogwash. I would not hesitate to receive it on the cotton that I grow. And I do not know anybody in my neighborhood who would refuse the check or would send back the check.

I want to thank you again for your very fine statement. I recognize Mr. Gathings.

Mr. GATHINGS. As one member of this committee, Mr. Cortright, I would like to commend you and your council for bringing this very fine statement to us and for the valuable suggestions it contains.

You touched on so many points that it is very difficult to discuss all of them. However, I would like to ask you about the effect that the subsidy has had on millworker wages. What part of that 6½-cent

subsidy went to the textile worker? Could you give us an estimate on that? I wonder if Dr. Horne has done research on that point?

Mr. CORTRIGHT. I would defer to Dr. Horne on that, sir.

Mr. HORNE. Mr. Gathings, the figures of the U.S. Department of Labor indicate that during the year 1964 the wages paid to the textile workers increased over the previous year by \$170 million. I do not think that we should draw the conclusion that this increase in their pay was attributable entirely to the equalization payment. There were other factors at work.

Mr. GATHINGS. Yes?

Mr. HORNE. There were other factors at work which had an effect throughout the textile industry. The most important one was the great rise in textile consumption in our economy in 1964.

Mr. ABERNETHY. Do you have the figure as to what the percent raise in pay was?

Mr. HORNE. In 1964 there was an increase of \$170 million over the total wages paid of \$2,875 million in 1963.

Mr. GATHINGS. Could you tell us what the hourly rate increase was that was paid to the workers in 1964, Dr. Horne?

Mr. HORNE. I am sure that you have another witness who is much more competent on that subject later this morning, Mr. Gathings. Would you not prefer to wait and hear from the representative of the American Textile Manufacturers Institute?

Mr. GATHINGS. Yes. I will defer the question until then.

The CHAIRMAN. Mr. Teague.

Mr. TEAGUE of California. I do have a couple of questions. You mentioned in your testimony that if the cotton producers are required to reduce their acreage, some of them might go into some other business, such as vegetables. I would suggest that they take a great careful look at the labor problem in that. Most of the vegetables require more hand labor than cotton does. And unless the policy of the administration changes, it will be very difficult to get what they call "stoop" labor—foreign labor. Take a careful look at that.

There seems to be a little variation between what you have had to say on the factual situation from what some of the other witnesses have told. I have made some notes here.

Is it not true that the percentage increase in consumption by the domestic mills during the operation of the current law last year has been higher for manmade fibers than it has for cotton, that is, the percentage increase for cotton?

Mr. HORNE. The answer to that, Mr. Teague, is no. Substantially the answer is no. There have been percentage increases in some types of manmade fibers greater than the percentage increases for cotton, but the most immediate competitor of cotton has long been considered to be rayon, and the consumption of rayon has fallen back relatively as to the consumption of cotton since one-price cotton legislation was enacted.

Mr. TEAGUE of California. I understand that, but is it not true that when rayon is lumped with the other manmade fibers and you compare the total consumption of cotton against the total of all manmade fibers, did not the consumption of manmade fibers increase more percentage-wise than did cotton?

Mr. HORNE. No, sir, they did not. On page 25 of the document—the lengthy document which we have submitted—we give the percentage figures in detail and we compare, for instance, the first quarter of 1964 with the first quarter of 1965. This gives, I think, the best available time period for comparison. And the percentage of fibers consumed on the cotton spinning system is spelled out in detail. The percentage of this which was cotton did not significantly change between the 2 years; in other words, the percentage which was held by the other fibers did not increase as compared with the percentage held by cotton.

Mr. TEAGUE of California. Well, then, the figures that I have noted down here which I will give you, I understand, show otherwise. Is it not true that the total fiber consumption, that is, the percentage of cotton during the last year, the new program, declined to a figure of 54.5 percent, which is the record low, as I understand it, and that percentage-wise manmade, the total manmade fibers went up to around 41 percent—that is the share for that.

Mr. HORNE. I suspect that these figures are based on the calendar year 1964, are they not?

Mr. TEAGUE of California. No, I would think that they are based on the period from April 1, 1964, to March 31, 1965.

Mr. HORNE. I would have to see the figures. There are different ways of presenting the figures. What I have quoted here is the percentage of consumption on the cotton spinning system where the competition is most immediate and meaningful and where the losses because of cotton's price disadvantage had been most conspicuous and measurable in the past. It could be that the figures that you cite are for some other basis of measurement.

Mr. TEAGUE of California. I have not seen your appendix. Perhaps that will help us clear it up.

Mr. HORNE. I would like to refer you to the material beginning on page 25 in this lengthy document. The title of this subdivision is "Fiber Competition."

Mr. TEAGUE of California. Is it not true that during the same period that the price of unfinished cloth went up rather than declined which had been hoped would be the case by the proponents of the new program?

Mr. HORNE. You refer to the price of cotton cloth?

Mr. TEAGUE of California. Yes.

Mr. HORNE. The weight of the evidence is that the average price has declined in this period of time. For cotton cloth the average price declined, whereas for cloth made from manmade fiber the average price has risen. Of course within this average there is a great deal of specific material to examine. Many cloth prices rose and many cloth prices declined.

Mr. TEAGUE of California. Is your testimony to the effect that the price of unfinished cotton cloth declined rather than rose during that period of time?

Mr. HORNE. Definitely. My testimony is that the weight of the evidence points that way.

Mr. TEAGUE of California. Is that borne out by your appendix, your study?

Mr. HORNE. Yes, sir. I reviewed the various sources of information on this subject. The source of information which is most commonly used is the cloth prices quoted in the Daily News Record, a textile trade publication, and the most interesting thing to me is that there have been a great many more specific declines across the period you indicate than increases. We have compiled figures on 77 cotton fabrics. This embraces substantially the whole spectrum of cotton fabrics. And if you take a simple average of those 77 fabrics the price has declined across the period that you have indicated; moreover, the number of declines has been bigger than the number of increases. The declines have come predominantly in the heavier fabrics in which the price of the raw material is a larger part of the total cost. Those are the types of fabrics in which you would expect to see the effect of a change in raw material costs most clearly.

Mr. TEAGUE of California. Many of us hoped that with a mill subsidy that there would be a rather substantial decrease in the cost of cotton cloth, so that it would be in a better competitive position with the manmade fibers.

Mr. HORNE. There were various factors which affected cloth prices, and they included the increase in demand and increase in labor costs. I hope that you would examine the detailed testimony in this lengthy document on the overall effect on textile prices. Our general conclusion is that when you allow for the extraordinary increase in the retail demand in 1964, and when you allow for all of the factors, you will find that the consumers received as much benefit from the lower price of raw cotton as could have been reasonably expected.

Mr. TEAGUE of California. Thank you.

The CHAIRMAN. Mr. Gathings.

Mr. GATHINGS. I was greatly impressed, Mr. Cortright, with the reasoning behind your argument that the 16 million acres should not be cut back to 14 million acres, as is contained in the Cooley bill. You also stated that the cotton economy would be affected adversely. And you brought out the fact that this acreage would have to grow some other crop—it would grow soybeans, or feedgrains, largely.

I think you stated that the cotton industry and all of its segments employed quite a number of people. How many does it employ?

What page is that on?

Mr. HORNE. As Mr. Cortright's testimony brought out, there are more than 9 million people who depend wholly or in substantial part, on cotton for their income.

Mr. GATHINGS. Do you have there the information with regard to the average weekly earnings per worker in 1964 as compared to 1963?

Mr. HORNE. Yes.

Mr. GATHINGS. I have not seen those figures before. I would like to ask you this question, of one of you—Would you give us some information with regard to the work of the Cotton Producers Institute? Where was it founded and what has it been doing in recent months?

Mr. CORTRIGHT. I think that I am prepared to do that. The Cotton Producers Institute was first conceived in January of 1960 as a voluntary program wherein the producers were invited to participate to the extent of \$1 a bale in financing research and promotion.

Mr. GATHINGS. Are they going into that program voluntarily in great numbers?

Mr. CORTRIGHT. Yes.

Mr. GATHINGS. What is the percentage?

Mr. CORTRIGHT. We are expecting on the 1964 crop to have \$3,250,000 voluntarily contributed for this program.

Mr. GATHINGS. That is a goodly number of people involved.

Mr. CORTRIGHT. Yes, sir.

The CHAIRMAN. Do you not think that there could be something done about the \$10 million that we authorized for research? We authorized it in good faith. It would be available. And that something would be accomplished to bring down the cost of cotton in America, but frankly, nothing has been done about it.

Mr. CORTRIGHT. Mr. Chairman, I would be happy to report on the status of it. We began immediately after it went into legislation to work on this.

Last year in the appropriations bill for the Department of Agriculture, \$2 million of the \$10 million was included by the Senate. This year, in the appropriations bill that passed the House, there has been an increase to provide for some additional laboratories and we are now at about a \$5 million level. Of course, this appropriation bill has only passed through the House. We do not know what the Senate will do; whether we can expand it or whether some of it will be withdrawn. But assuming that the House action is sustained we would be at the \$5 million level now.

The CHAIRMAN. Mr. Abernethy.

Mr. ABERNETHY. I apologize for not being present at the beginning of your statement. I have read it all and I think you have made a fine statement. I would like to ask you this question.

We all agree with your objective—the objective of everyone, to keep cotton competitive in the world markets. Now, with most of the cotton produced in foreign countries, with the cotton-producing industry in those countries being nationalized by the foreign governments and with the governments fixing the price at which they move cotton into the world markets, has the council given any study as to the question where the world price would stabilize once we completely meet this competition?

Mr. CORTRIGHT. Mr. Abernethy, I might say that I am not aware of anybody being able to predict exactly where any price would stabilize. You have had previous testimony as to what the effects likely would be of the offtake at various price levels. I think the witnesses who presented this testimony are more competent than I who am a simple producer to project on this subject.

Mr. ABERNETHY. One reason that I ask the question is that it has been suggested by some that if we meet the price of the nationalized countries that somewhere along the line they would cut back in their production. I think that is a fine thing to hope for, that it is something to be hoped for, that they will be reducing their cotton acreage and go back to producing grains and other things that they sorely need to feed their own people. But no one up to now has been able to tell the committee where that change will take place. I do not say this in criticism, but I do say that we should receive some counsel from some source along the way so that we will be in a position to tell the Members of the House and the Senate exactly where this competition is going to become effective. That is the reason I raised the question.

Mr. CORTRIGHT. I should like to make one comment here. I do not recall that it has been covered in any of the testimony that I have read. It has not so much to do as to the level at which they would retrench, but it has to do with a policy that does not give assurance in advance of what the price is going to be. As you know, our programs have been operated in a manner whereby the foreigners knew at what level we were going to sustain the price of cotton during any given year. The ability to finance is relatively easy under certain circumstances, if those who are financing the foreign production know what the price is going to be. But if they were confronted with a policy of a greater risk in not recovering on their loan funds, I think that we might find that the cost of finance itself would go up enough to have a substantial retarding effect on the foreign production.

Mr. ABERNETHY. Another point, you have stated that we should have a one-price system, but I think it is fair to say that the cotton industry itself, particularly those in my own State, did support the the two-price system when it was inaugurated, did they not?

Mr. CORTRIGHT. Absolutely, in 1956 we supported it very strongly.

Mr. ABERNETHY. And they supported the act which was passed last year?

Mr. CORTRIGHT. As well as the legislation passed by the House in 1963.

Mr. ABERNETHY. To be more specific, is it the recommendation of the National Cotton Council that the legislation that we passed last year be continued?

Mr. CORTRIGHT. The council, as you know, has to conform to its resolutions. It took no affirmative nor negative action on the specific piece of legislation that was passed last year. We will have to measure each section of the legislation by the criteria of whether it is in conformity with resolutions of the council as passed by the delegate body.

Mr. ABERNETHY. Well, now, as I understand it, the council does propose definitely to oppose the Cooley bill. I also understand that skip-row planting be allowed to continue is one of your objectives. Let us look into the future just a little bit. Suppose that skip-row planting expands throughout the belt. Actually there will be more land skip-rowed this year than last, and there will be more the next year than before. What are we going to do with the cotton that will result from those practices? I am not asking this in an effort to pin anybody down. We just need some advice as to what we will do with the surplus cotton.

Mr. CORTRIGHT. I must say, frankly, that I am rather happy that th job has been given to you gentlemen instead of to me to come up with the complete solution to it. The Secretary in his announcement authorizing the changes that permitted skip-row planting made it very clear that this was a move in the direction of increased efficiency. And he also made the point that it had a secondary or voluntary soil bank effect. I think these are very valid conclusions. I think that if we are going to move in the direction of growing cotton with the least Government assistance, we must use every tool available for increasing efficiency.

Mr. ABERNETHY. Do we at the same time accept the reduction in price to meet the competition?

Mr. CORTRIGHT. This, again, is from the base price. The council's position is that as the cost of production is lowered through any efficient type of practice, there be a relative reduction in the support price.

Mr. ABERNETHY. All right. Then, as I understand it, if the Department and the council decides to continue skip-row planting and allows it to expand across the belt, which means considerably more cotton, probably one-third more than we are now producing, I think that was the testimony, it will be anticipated by the producers that there will be a reduction in the price?

Mr. CORTRIGHT. Provided that the statistical evidence on the cost of production indicates that there has been a reduction.

Mr. ABERNETHY. A reduction?

Mr. CORTRIGHT. In the cost of producing the cotton.

Mr. ABERNETHY. Do you agree that skip-row does produce more cotton?

Mr. CORTRIGHT. In some areas it does. In other areas it gives certain quality enhancements and marketability to the cotton. On the average, the evidence is that it has produced more cotton in the areas where it has been practiced.

Mr. ABERNETHY. There is not any question about it. I have asked farmers who skip-row and I am asking you. It is a fine thing. I agree that it produces more cotton. But what will we do with the cotton is a question that concerns me greatly.

Mr. CALLAN. Will you yield?

Mr. ABERNETHY. Yes.

Mr. CALLAN. On page 6 of your statement you state:

The council completed a study fully documenting the fact that research could lower cotton production by at least 11 cents a pound.

Mr. CORTRIGHT. Yes.

Mr. CALLAN. Is it true that in most all areas of agricultural production the only way that you can lower the unit cost is to produce more units per acre?

Mr. CORTRIGHT. Unfortunately, this correlation has always been assumed. There are many fields of research that will reduce costs without increasing production. If you will permit me, I will give you my own personal knowledge as to potential areas of cost reduction in cotton. Let us speak to an insect area, the boll weevil. In my particular area of the belt it is my judgment that we have suffered no economic loss in the last 3 or 4 years from the boll weevil, but we have had cost inputs approximating 6 cents a pound to prevent this. If we could find methods of either eradicating the weevil or maintaining the same degree of control at lesser costs, we would not produce more cotton, but we would save money in the cost of the production.

Secondarily, let me look at the problem of weed control in cotton. We are currently controlling weeds in our cotton to the degree that we get maximum production but if we can find herbicides that can be put on at a substantially less cost and still give us the same degree of weed control, we will again not have increased the production but simply have saved on our input item which would permit us to realize a lower cost and at the same time maintain the same net profit per unit of production. This is the principal type of research that we

are speaking about in the cost of production research that will lower it and we hope that it will emphasize those areas of research that will not necessarily increase the yields and the productivity per unit of production.

Mr. CALLAN. Do you have a copy of that study? I would be interested in having it.

Mr. CORTRIGHT. I have only this one here, but I will see that you are furnished with one, sir.

The CHAIRMAN. Thank you very much.

Mr. JONES of Missouri. Are you going to try to come back here later?

The CHAIRMAN. Let us go off the record.

(Discussion off the record.)

The CHAIRMAN. We will recess now until 1 o'clock.

(Whereupon, at 11:15 a.m., the committee adjourned to reconvene at 1 p.m. of the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will be in order.

The Chair recognizes Mr. Jones.

STATEMENT OF G. C. CORTRIGHT, JR.—Resumed

Mr. JONES of Missouri. Thank you, Mr. Chairman.

Mr. Cortright, I think that you have made a very fine statement here today. Yet we do not get down to any specifics about how we are going to handle this problem. You admit that it is a problem. We admit it is a problem. You told how we should move to develop a long-range policy, and so forth, but I do not find a program itself.

Has the National Cotton Council tried to develop any legislation to bring before this committee that is in the form of a bill?

Mr. CORTRIGHT. Mr. Jones, the answer is definitely "No." As you know, the National Cotton Council is composed of seven segments of the raw cotton industry. And to take a position it takes two-thirds of the delegate body of each of those segments, voting separately, to have a policy position. I think it is obvious to you and to the committee as a whole that there is a greater degree of disunity on the specifics of a program than would permit the National Cotton Council to write a specific bill and to present it. We are agreed on the objectives. On the specifics, we are not.

Mr. JONES of Missouri. You think that there is something wrong and that it ought to change?

Mr. CORTRIGHT. Yes, sir.

Mr. JONES of Missouri. You are a cotton farmer and I know that you are a good cotton farmer. You gave us an explanation this morning about practices that could improve the situation and which would decrease the cost of production. Do you think that one of our problems has been in trying to support a segment of the cotton-producing area that is inefficient to the point where they could probably be better off if they were even forced to go into some other agricultural pursuit or even into some other endeavor? What I am leading up to and what I am trying to present is this: In the State of Missouri a few years ago they had a study made by the university as to the cost

of producing cotton. This is some years back. As I recall from memory, I think it was said at that time that some of our farmers could produce cotton for 18 cents. And it went on up from that area to as high as 27 and 28 cents. There was a difference of some 9 or 10 cents in the cost of production. To what extent, and I know that you are not going to speak for your council, but to what extent do you feel that we can continue to maintain in the cotton business the inefficient producer who, in my opinion, had been one of the problems that we have faced here of not getting anywhere?

Mr. CORTRIGHT. Mr. Jones, I would answer, first, that the choice is yours and this Congress to determine whether you will recommend a program based on the pure economics of the commodity, and if you do it on the pure economics of the commodity you will have to do one thing. If you also have to temper the pure economics with political economics by taking care of real situations that exist, you, of course, must do another.

Obviously, industry recognizes the very acute problem of inefficient producers in rural areas. It has no position one way or the other for or against any action that the Congress might wish to take.

It would point out very positively, though, that if you force the marketplace to bear the brunt of this additional support you will force market losses.

At the same time, if you keep an inordinately large number of these people, usurping markets that under a system of pure economics would gravitate toward the more efficient, you forgo the possibility of formulating a cotton policy that will let those in cotton who are able to produce without Government support move as rapidly as possible toward this objective.

Mr. JONES of Missouri. Do you see any chance of ever solving the cotton problem until we, at least to a point, disassociate the economics from the social problem?

Mr. CORTRIGHT. Obviously, you will never solve it with the minimum of Government cost until you disassociate the two.

Mr. JONES of Missouri. I will not take any more time, but I think that is one of the things that the Congress is going to have to face up to. I do not want to destroy one segment of the agricultural industry by maintaining over a long period of years producers who are, essentially, going to have to leave an uneconomic operation. That is why I have advocated the buying of these allotments by the Government over a period of years, giving those people an opportunity to withdraw from inefficient cotton production and to get into some other line. And when you do that, you will have cotton produced in sufficient quantity by the remaining producers. A lot of our members are opposed to large farms. I am not asking you to go on record on this, but I believe that you will agree that the fellow with 5 or 10 acres of cotton cannot compete in this highly mechanized era, and we are kidding ourselves and him in thinking that he can compete in the world market in the raising of cotton.

The CHAIRMAN. Let me make one observation in connection with what Mr. Jones has just said. You can take your argument and carry it to its logical conclusion, and you will agree that 1 million farmers can feed and clothe the Nation. But when you do that, you have gotten to the point that you will drive 21½ million farm families, amounting

to some 7½ million persons into the cities to look for jobs that are not there. That is a fact.

Mr. JONES of Missouri. I have to admit that I am influenced by the social aspects of this subject, that is, that I have voted to subsidize the inefficient farmer, because we can maintain him cheaper on the farm than we can maintain him by sending him to the city. I will agree with that, that you can do that. But, on the other hand, I think that we are doing a disservice to some of those same people by just keeping them at a bare subsistence level.

The CHAIRMAN. Do not just take it out on the cotton farmer, then, but on all of them.

Mr. JONES of Missouri. It is on all of them. I do not confine it to the cotton farmer. The philosophy will have to change.

The CHAIRMAN. I think that it applies to all of them. That is conceded. I agree with you that we cannot solve it by putting them in the cities and on relief. That will not solve the problem of cotton in any way.

Thank you very much.

Mr. CORTRIGHT. I would like to emphasize one point further for the committee. The real area that the council now considers to be the opportunity for market expansion is in the export market. In 1956 we adopted a policy that stated in effect this, and the committee report signed by yourself, Mr. Poage, Mr. Grant, Mr. Hope, and Mr. Andresen:

The Secretary has indicated that he considers 5 million bales to be the fair historical share based on the present level of world trade in cotton. This committee believes this to be reasonable in view of the history of U.S. exports.

It so happens that 5 million bales at that time was 25 percent of the free foreign world consumption. Now if we follow along the premise that we were going to maintain our fair share of the free foreign world consumption, we would find that if we averaged the free foreign world consumption for the last 4 years and maintained 25 percent of it, and then subtracted from that our exports during the past 4 years, that there is a 5.5-million-bale gap. Really, this is largely the amount of excess surplus we have in this country. So I say unequivocally, until we address ourselves positively to the methodology of obtaining a fair historical share of the free world consumption of cotton, we are going to continue to be faced with this problem of cutting back and retrenching.

The CHAIRMAN. All right, now. How is the farmer going to sell in the world market—is he going to sell at the world market price without any payments?

Mr. CORTRIGHT. Of course, there are several ways that you can expand our share of the export market.

The CHAIRMAN. You are a farmer yourself—a cotton farmer—you cannot raise cotton at 22 cents a pound and make a living, can you?

Mr. CORTRIGHT. I am not prepared to say whether I would or would not attempt it. I have never had the opportunity to do it without penalty.

The CHAIRMAN. Without penalty? You are not producing cotton for that amount and cannot.

Mr. CORTRIGHT. I just say that personally until I am given the opportunity I will never know what decision I would make.

The CHAIRMAN. Are you saying that is what you want?

Mr. CORTRIGHT. I will never know until I have the right to produce without penalty.

The CHAIRMAN. You had it back in 1932—and in 1932 you went broke.

Mr. CORTRIGHT. You overestimate my age. I was in knee pants in 1932. [Laughter.]

The CHAIRMAN. There was somebody on the land then who produced cotton in 1932. You could not do that—you could not give the cotton away—and we now have 14 million bales in storage. What are we going to do with that?

Mr. CORTRIGHT. I would point out again, though, that there is the gap between what a fair share would have been and what we have actually gotten in the last 4 years of 5½ million bales.

The CHAIRMAN. We do want to get our fair share of the business.

Mr. GATHINGS. Your testimony this morning was to the effect that what we needed to do was not only sell to our domestic mills, but that we also ought to sell in export. There are two ways to do it.

This Congress passed the act of 1959—I believe that was the year—to the effect that the Secretary of Agriculture was to sell cotton competitively in the export markets. Has he been doing that in recent months?

Mr. CORTRIGHT. This, I think, is a matter that you can determine better than I. You have better sources of obtaining the information than I.

Mr. GATHINGS. I was asking Mr. Murphy a few days ago about this very thing—about the matter of moving this cotton into export, and I urged that he set up a real sales manager for cotton—someone who knew cotton, who had been in the cotton business for years and years and years. The job of such person being to move cotton into export channels. Now, would this reduce or up the price, which? Did it up the price in recent months?

Mr. CORTRIGHT. The policy followed this year differs from the policy that was in effect the previous year by adding carrying charges to the cotton at each sale.

Mr. GATHINGS. You think then as a result of adding the carrying charges that it had an adverse effect on the movement of our cotton?

Mr. CORTRIGHT. It has been much higher than it was in the previous years.

Mr. GATHINGS. How is that?

Mr. CORTRIGHT. It is that much higher than it was at a similar time in the previous crop year.

Mr. GATHINGS. Thank you.

The CHAIRMAN. Mr. Callan.

Mr. CALLAN. Just one question, Mr. Chairman.

What would you think about the possibility of setting up an international cotton agreement similar to the wheat agreement and the coffee agreement?

Mr. CORTRIGHT. This, again, is a problem to which our organization has not addressed itself and it has no policy at this time. When the climate is right, I am sure that we can formulate a policy on it.

Mr. CALLAN. Do you think, personally, that this would have or offer a possibility for the United States to get its fair share of the export market, of the world market?

Mr. CORTRIGHT. It depends on exactly how you would have the agreement.

Mr. CALLAN. It would be similar to the wheat agreement or the coffee agreement. Do you think that this has a possibility, let me put it that way?

Mr. CORTRIGHT. Sometime in the future it might be a matter of consideration.

Mr. CALLAN. Thank you.

Mr. CHAIRMAN. Thank you all very much.

The next witness is Mr. J. Craig Smith, president of Avondale Mills, Inc., of Sylacauga, Ala., on behalf of the American Textile Manufacturers Institute, Inc.

We will be very glad to hear from you now.

Mr. SMITH. With your permission, I would like to introduce my associates, who are here with me.

On my left is Mr. William H. Ruffin, who is chairman of the board of the Erwin Mills, Inc., of Durham, N.C., which is one of the major subsidiaries of the Burlington Industries, Inc., of which he is also vice president.

The CHAIRMAN. And a former president of the ATMI.

Mr. SMITH. That is right; yes, sir.

On my right is Mr. J. M. Cheatham, who is president of Dundee Mills, Inc., of Griffin, Ga., and who is chairman of the ATMI Cotton Policy Committee, and who, like Mr. Ruffin, is also a past president of the ATMI.

And next to him is Mr. Don May, who is an economist for the ATMI.

And in back of me here is Mr. Harry Snyder, associate director of public relations. These two latter gentlemen have been most helpful in preparing this statement.

I also ask permission, Mr. Chairman, to file as an appendix to my statement several copies of charts and tables of data in support of my testimony.

The CHAIRMAN. Mr. Smith, we will be glad for you to file the charts. I cannot assure you that all of them will appear in the printed record, but you may leave them with the committee. They will be available for the committee in its deliberations.

STATEMENT OF J. CRAIG SMITH, PRESIDENT OF AVONDALE MILLS, INC., SYLACAUGA, ALA.; ACCOMPANIED BY WILLIAM H. RUFFIN, CHAIRMAN OF THE BOARD, ERWIN MILLS, INC., AND VICE PRESIDENT OF BURLINGTON INDUSTRIES, INC., DURHAM, N.C.; J. M. CHEATHAM, PRESIDENT, DUNDEE MILLS, INC., GRIFFIN, GA., AND CHAIRMAN OF THE ATMI COTTON POLICY COMMITTEE; DON MAY, DIRECTOR, ECONOMIC INFORMATION DIVISION, ATMI; AND HARRY SNYDER, ASSOCIATE DIRECTOR OF PUBLIC RELATIONS, ATMI

Mr. SMITH. Mr. Chairman and members of the committee:

My name is J. Craig Smith. I am president of Avondale Mills of Alabama. I appear here as spokesman for the American Textile Manufacturers Institute.

I would like to tell you very briefly a little bit about my own company. We operate in seven Alabama communities and in one Georgia community. We have approximately 4,500 employees, most of whom, like the management of the company, are third-generation employees.

I had the honor of talking to a group out in Arkansas here a while back and one of Mr. Gathings' friends gave me a very generous introduction, and among other things he recounted how I had started my career weighing cotton for Avondale, and in a short time I became a cotton classer, and then I was promoted to assistant vice president and vice president, and shortly to president and chief executive officer of my company. And when I got up to talk I told him that Mr. Gathings' friend had recounted my promotions about like they had happened, but he had forgotten to state that my grandfather owned the business. [Laughter.]

Our interest in the Government's cotton programs and policies is obvious. Cotton is our principal fiber, and our industry is the principal customer of American cotton farmers. A bale of cotton is useless until it is manufactured into something. Thus, cotton farmers and cotton manufacturers have mutual interests. Our interest is reflected in the fact that we are spending more than a billion dollars this year for raw cotton.

It is also obvious that the raw cotton industry can expand and prosper only if the American textile industry is a thriving, expanding, dynamic, economic unit.

I am pleased to report that the textile industry today is operating at a level that should be most heartening to everyone concerned with the cotton economy.

Mill consumption of cotton is up. Since August the daily consumption figure has averaged 35,569 bales—an increase of 7.7 percent over a year ago—a 9.2-percent increase over 2 years ago. And, for the 1964-65 crop year, consumption is estimated by the U.S. Department of Agriculture to reach 9.4 million bales—an increase of 800,000 bales.

Right here I would like to make the point in assessing the effectiveness of the legislation which we are now operating under, in pointing out that we have increased our consumption 800,000 bales, that had we not had one-price cotton—had we continued down the road we were going, in my judgment we would have had a decrease of a minimum of one million bales in our consumption.

So that in trying to assess the effect of what you gentlemen did, you have to add to the 800,000 bales that we increased the 1 million that we would have lost had we done nothing.

Looms used for weaving cotton cloth operated at the highest level in history during the first quarter of 1965.

That chart over there gives you a bird's eye view of that situation.

On a 3-shift-a-day basis, they averaged 136 hours weekly as compared with 129 hours weekly during the comparable period of 1964.

Employment is up. That chart illustrates that. In April, it totaled 924,000 persons—an increase of 29,000 over April 1964. Payrolls have grown, too, as a result of more hours worked and three 5-percent wage increases in less than 2 years. Those wage increases, one of which has been very recent, do not reflect the increase which we have had in fringe benefits to the people who work in our mills.

Expenditures for additional mills and new and more efficient equipment are at an all-time high level. For the first time in history they will exceed a billion dollars this year. Our one and only hope to compete in world markets, and thereby help to some extent with the Nation's balance of payment problem, is our ability to continue large expenditures for new machinery. That chart shows that.

The increase in mill earnings during the past year, I am most happy to report, has been substantial. The wide gap between textile mills and other manufacturing industries in profits, after taxes, was narrowed—on sales, on the stockholders' equity, and on total assets. That chart shows that.

But, despite the improvement, textiles ranked 16th among the 20 major U.S. manufacturing industries in profits on sales, 19th among the 20 in profits related to total assets, and on the bottom of the 20 in profits related to stockholder's equity.

This profit on textile industry operations during the past year reflects in part actions taken by the Government, including the income tax cut and the investment tax credit. The latter is of particular importance to our industry because of the vast amount of money we have been spending on new machinery.

There is also absolutely no question but that the improvement was triggered by the law which enabled American mills to buy American cotton at the same price at which it could be bought by foreign mills.

We should bear in mind, though, that there has been insufficient time for all of the benefits to be realized. One-price cotton should have been established permanently.

When the one-price cotton proposal first came under consideration by this committee, a point was made that lower cotton costs could result in a reduction in consumer prices for textiles.

The hearing record shows that our industry spokesman said this result could be achieved—and I quote—

when the initial cotton cost reduction is carried all the way through the textile pipeline to the retail counter.

This statement is still valid.

For more than a year before passage of the one-price cotton law, mill customers for cotton textiles deferred purchases. Uncertainty regarding the congressional action was a factor in their marking time.

There was also a very definite price structure weakness during this period of uncertainty, so that our prices were depressed prior to the enactment of the law and its signing on April 11.

After the law was enacted, the pent-up demand for cotton goods made itself felt in the market and was reflected in wholesale prices. This accumulated demand has not yet been fully satisfied and undoubtedly accounts for the failure of all cotton goods prices to decline, as was expected.

But let us examine the textile price situation a little further.

The American textile industry is the outstanding leader in the Nation's fight against inflation.

Taking the Government's wholesale price indexes on its 1947-49 base, all industrial commodities had risen to 129.3 in April 1965. Cotton products had fallen to 90.

To me, living with the industry every day, it seems almost impossible to believe that a major industry of this kind could reduce its prices 10 percent, whereas all other prices, that is, the average of all

industrial commodities was going up to 129.3 percent. And I might point out that the cotton products are in this figure of 129.3 percent, so that had we not been in there, that figure would have been a little higher than it is.

I made this comment on a program on which there was a Governor of the Federal Reserve System and he talked and complimented our industry on the contribution that we have made towards controlling inflation. I had an opportunity to talk a little later on the same program, and I told the Governor that I appreciated his comment, but that I did not want to be under any false colors—that the contribution we had made had been involuntary.

We have gotten our prices down because we had to get them down. We have been exactly like the frog in this deep rut, and he jumps, and he jumps, and he jumps, and he cannot get out, and he tells his friend on the bank, he says, "I cannot get out." And about that time the big truck comes along, and the frog in the rut jumps out and his friend said, "I thought that you could not get out." And the frog said, "I got out because I had to get out." And that is what we have done.

We have gotten our prices down because we had to get them down, and for no other reason. That chart illustrates those price changes.

Looking at these same prices for last year on the Government's current index base of 1957-59 equaling 100, we see what happened after the one-price cotton policy became effective.

Here I would like to quote just one sentence from a statement by Mrs. Esther Peterson, who is the President's Special Adviser for Consumer Affairs. Mrs. Peterson is quoted in the Daily News Record, a leading trade paper, as saying, and this is a recent quotation made this year, "The consumer is terribly fortunate in getting good value for his dollar in textiles and apparel."

During the first 3 months of 1964, the indexes on this current base—I am now talking about the 1957-59 base—for all industrial commodities and cotton products were identical. By July, the cotton products index had dropped to 98.3. Strong demand in the market came into force and the index began to rise. The all-industrial commodities index rose, too. The most recent figures are 102.1 for all industrial commodities and 99.7 for cotton products, and the cotton products index continues to lag.

The textile industry is one of the most competitive industries in the United States. Prices of American textiles always have been, and today continue to be, determined by supply and demand. To indicate or intimate that our industry could raise prices or lower prices by collusion could come only from ignorance of the nature of the industry.

Our customers create and develop demands or desires for products made from all fibers or blends of fibers. They are cost conscious, quality conscious, performance conscious. They make the market.

Long-range planning governs virtually all textile operations and long-range planning is required for successful and efficient cotton farm operations. And, long-range planning should dominate the Government's cotton programs.

As the greatest consumer of American cotton, the American textile industry can speak with authority in saying that a permanent one-price system holds a tremendous power to move the fibers through the mills to consumers.

Textile mill management must make long-range decisions regarding new mill construction, new product lines, research, and promotion. These decisions are not going to be favorable to any fiber which is likely to be noncompetitively priced. Therefore, I cannot overemphasize the importance of a permanent one-price system for cotton.

In my own company we are operating 11 mills, as I said a moment ago, in 8 communities. The last two mills that we have built were built to spin manmade fibers.

I have a tremendous ambition before I retire from Avondale to build a new cotton mill—a mill to spin cotton. And I am completely convinced that if we could be assured of a permanent one-price system we could and would build that mill. And I am further personally convinced that in less than 3 years time you would see the cotton consumption in America exceed 10 million bales and go on up from there.

The well-being of every person who looks toward the cotton industry for his livelihood, whether he is a cotton farmer or a cotton mill employee, is directly dependent upon the permanent continuation of one-price cotton.

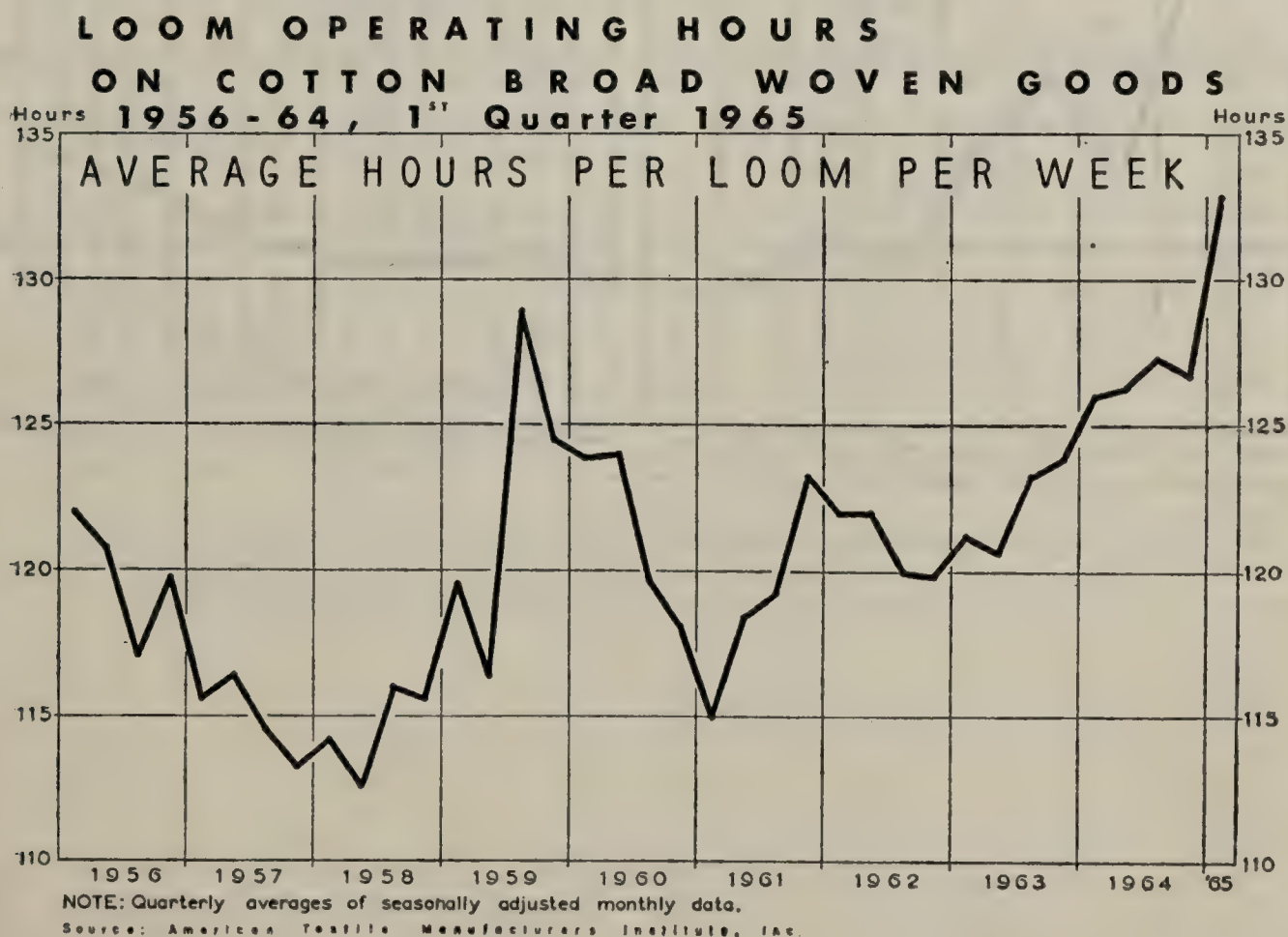
The textile industry is not advocating either a high price or a low price for cotton, but a competitive price is mandatory if cotton is to share in the growing market for textile products.

We have been encouraged beyond measure by what the Congress did last year. We have faith that you will not let this great cotton industry be destroyed by the return of a two-price system.

An expression of this faith is the billion dollar expenditure we are making for capital improvements this year.

Any uncertainty concerning the continuation of one-price cotton can be most damaging to the whole cotton economy. The quicker this uncertainty is removed, the better it will be for all concerned.

(The attachments to the statement, consisting of charts, follow:)



LOOM OPERATING HOURS ON COTTON BROAD WOVEN GOODS AVERAGE HOURS PER LOOM PER WEEK 1956-64 AND FIRST QUARTER 1965

Looms weaving cotton broad woven goods are operating at historic rates and they averaged 136 hours per week in the first quarter of 1965 compared to 129 hours in the similar 1964 period. On a seasonally adjusted basis, rates of operation were 133 hours per week in the first quarter 1965 versus 126 hours in 1964. These operating rates are greater than those attained during World War II or the Korean war.

Quarterly averages of seasonally adjusted monthly data

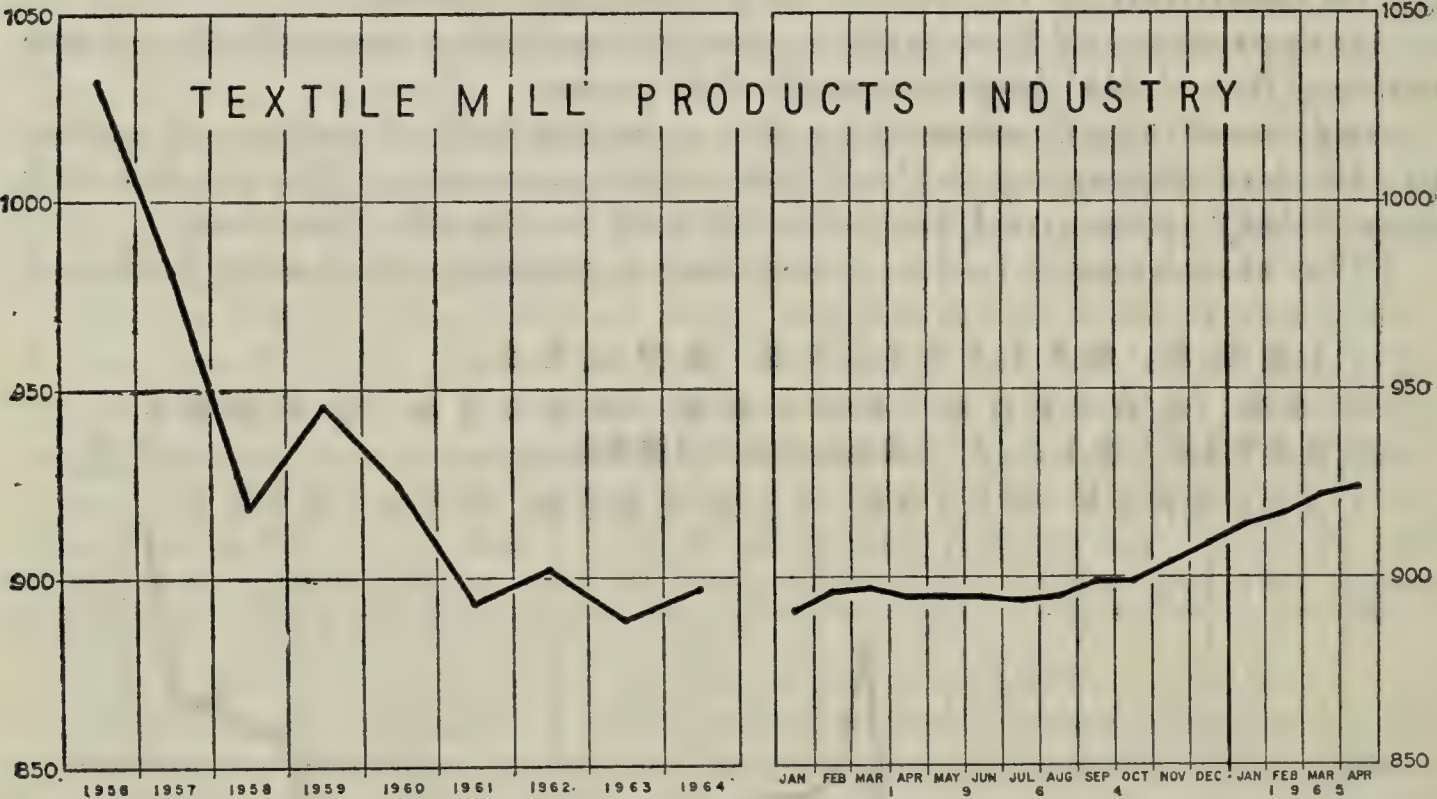
Year	1st quarter	2d quarter	3d quarter	4th quarter
1956	122.0	120.8	117.1	119.8
1957	115.6	116.4	114.6	113.3
1958	114.2	112.6	116.0	115.6
1959	119.6	116.4	128.9	124.5
1960	123.9	124.0	119.7	118.1
1961	115.0	118.4	119.3	123.3
1962	122.0	122.0	120.0	119.9
1963	121.2	120.7	123.3	123.9
1964	126.0	126.3	127.3	126.7
1965	132.8			

Source: American Textile Manufacturers Institute, Inc.

EMPLOYMENT

Annual 1956 - 64,
Monthly 1964 - 65

Thousand Employees - Seasonally Adjusted Monthly Averages



Source: Bureau of Labor Statistics, U. S. Department of Labor

EMPLOYMENT IN THE TEXTILE MILL PRODUCTS INDUSTRY, ANNUAL 1956-64, MONTHLY 1964 AND 1965

Employment in the textile mill products industry fluctuated from year to year from 1956 through 1963 but showed a generally downward trend. In 1956, textiles employed 1,032,000 and this declined to a low point of 889,000 in 1963. For 1964, employment averaged 897,000. Employment in April 1965 was 924,000 or 29,000 above April 1964.

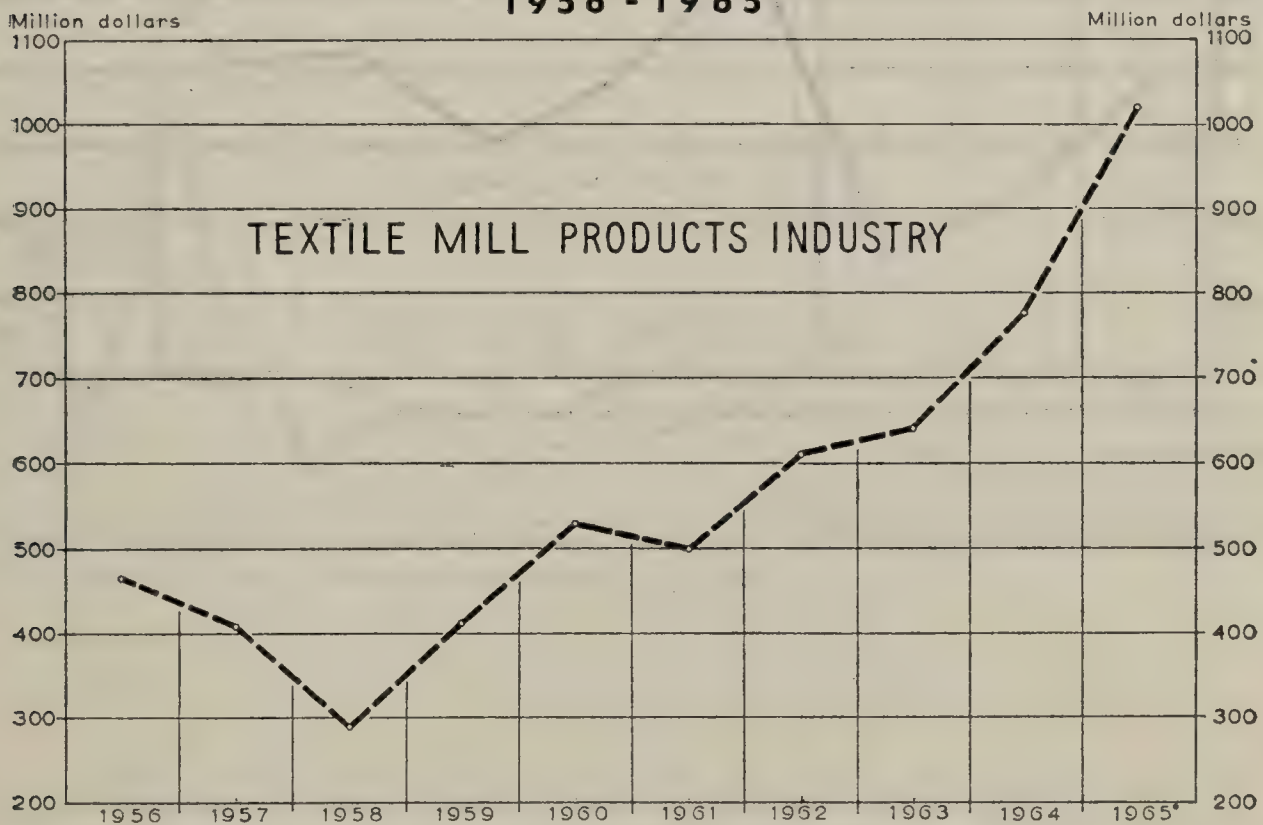
The recent rise in employment has also been accompanied by a rise in average weekly hours worked. Worktime in 1964 was higher than at any time during the past 10 years and it continues at a high rate.

	Thousands of employees		Thousands of employees
1956-----	1,032.0	1964—Continued	
1957-----	981.1	June-----	895.0
1958-----	918.8	July-----	894.0
1959-----	945.7	August-----	895.0
1960-----	924.4	September-----	899.0
1961-----	893.4	October-----	899.0
1962-----	902.3	November-----	904.0
1963-----	888.8	December-----	909.0
1964-----	897.2	1965—	
1964—January-----	891.0	January-----	914.0
February-----	896.0	February-----	917.0
March-----	897.0	March-----	922.0
April-----	895.0	April-----	924.0
May-----	895.0		

NOTE.—Monthly averages, seasonally adjusted.

Source: Bureau of Labor Statistics, U.S. Department of Labor.

NEW PLANT AND EQUIPMENT EXPENDITURES 1956 - 1965



* Estimate based on business expenditures anticipated in February 1965.

Source: U.S. Department of Commerce and Securities & Exchange Commission

NEW PLANT AND EQUIPMENT EXPENDITURES, TEXTILE PRODUCTS INDUSTRY, 1956-65

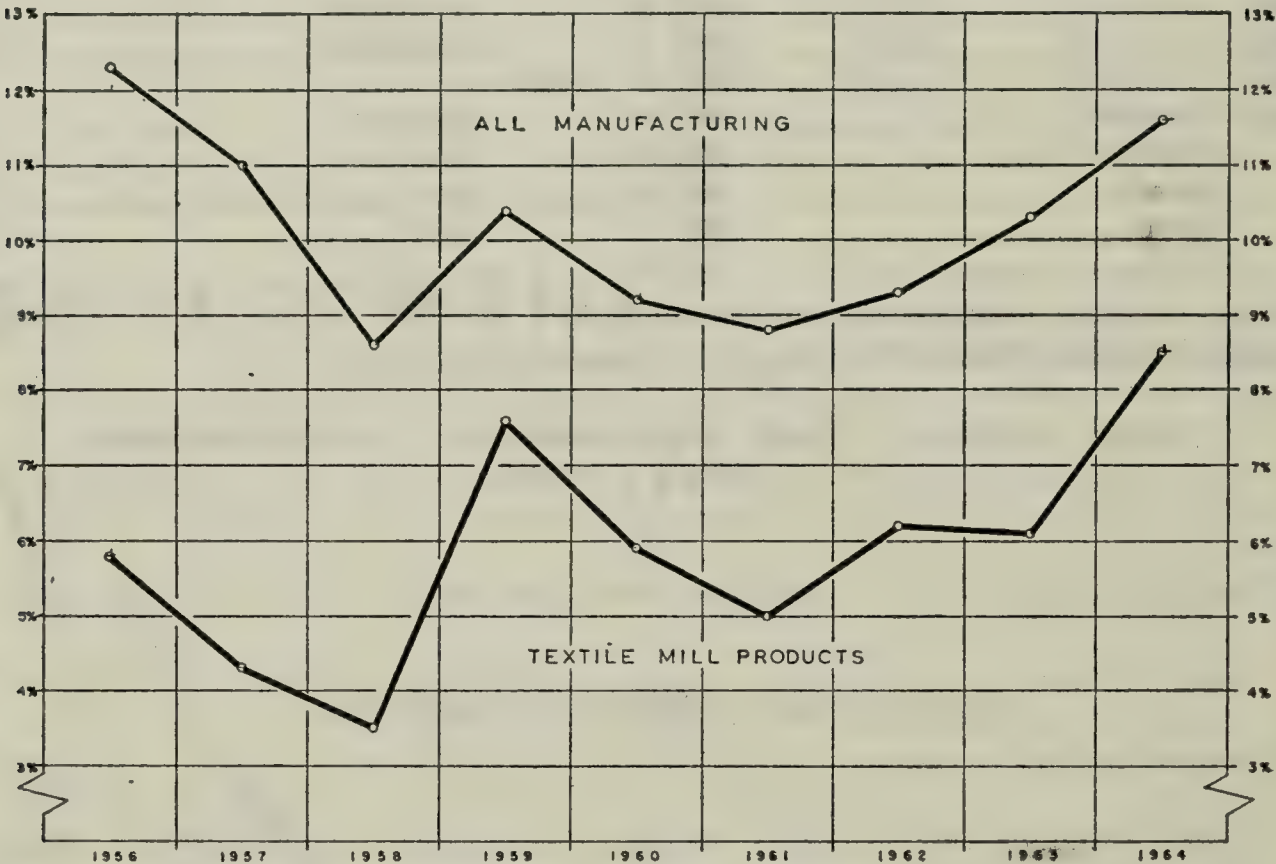
Projected expenditures on new plant and equipment in the textile mill products industry for 1965 are 47 percent higher than expenditures in 1964 and about double the average expenditures for the preceding 9 years. For the first time in istory, textile expenditures will exceed \$1 billion in 1965.

	Millions		Millions
1956	\$465	1961	\$500
1957	408	1962	610
1958	288	1963	640
1959	412	1964	760
1960	530	1965	1,020

NOTE.—1965 data are estimates based on anticipated expenditures reported by businessmen in February 1965.

Source: U.S. Department of Commerce, and Securities and Exchange Commission.

PROFIT RATES ON STOCKHOLDERS EQUITY, 1956-1964



Source: U.S. Federal Trade Commission and Securities & Exchange Commission

PROFIT RATES ON STOCKHOLDERS' EQUITY, ALL MANUFACTURING AND TEXTILE PRODUCTS INDUSTRY, 1956-64

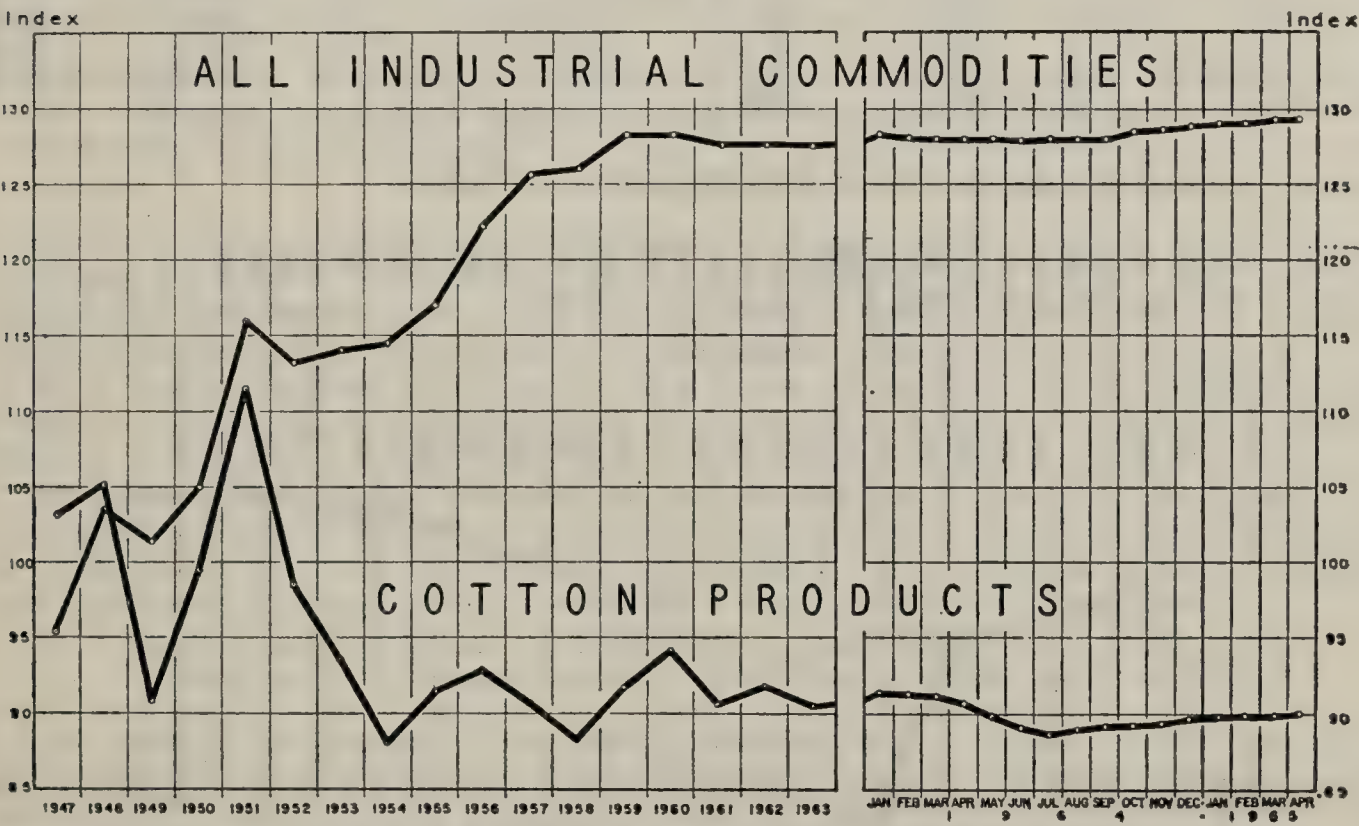
The wide gap between earnings, after taxes, for textile mills and average for all manufacturing industries was narrowed somewhat in 1964, whether measured on sales, on stockholders' equity or on total assets. But despite the improvement, textiles ranked 16th among the 20 major U.S. industries in profits on sales, 19th among the 20 in profits related total assets, and on the bottom of the 20 in profits related to stockholders' equity.

[In percent]

Year	All manu- facturing	Textile mill products	Year	All manu- facturing	Textile mill products
1956	12.3	5.8	1961	8.8	5.0
1957	11.0	4.3	1962	9.8	6.2
1958	8.6	3.5	1963	10.3	6.1
1959	10.4	7.6	1964	11.6	8.5
1960	9.2	5.9			

Source: U.S. Federal Trade Commission and Securities and Exchange Commission.

WHOLESALE PRICE INDEX (1947-49 = 100)



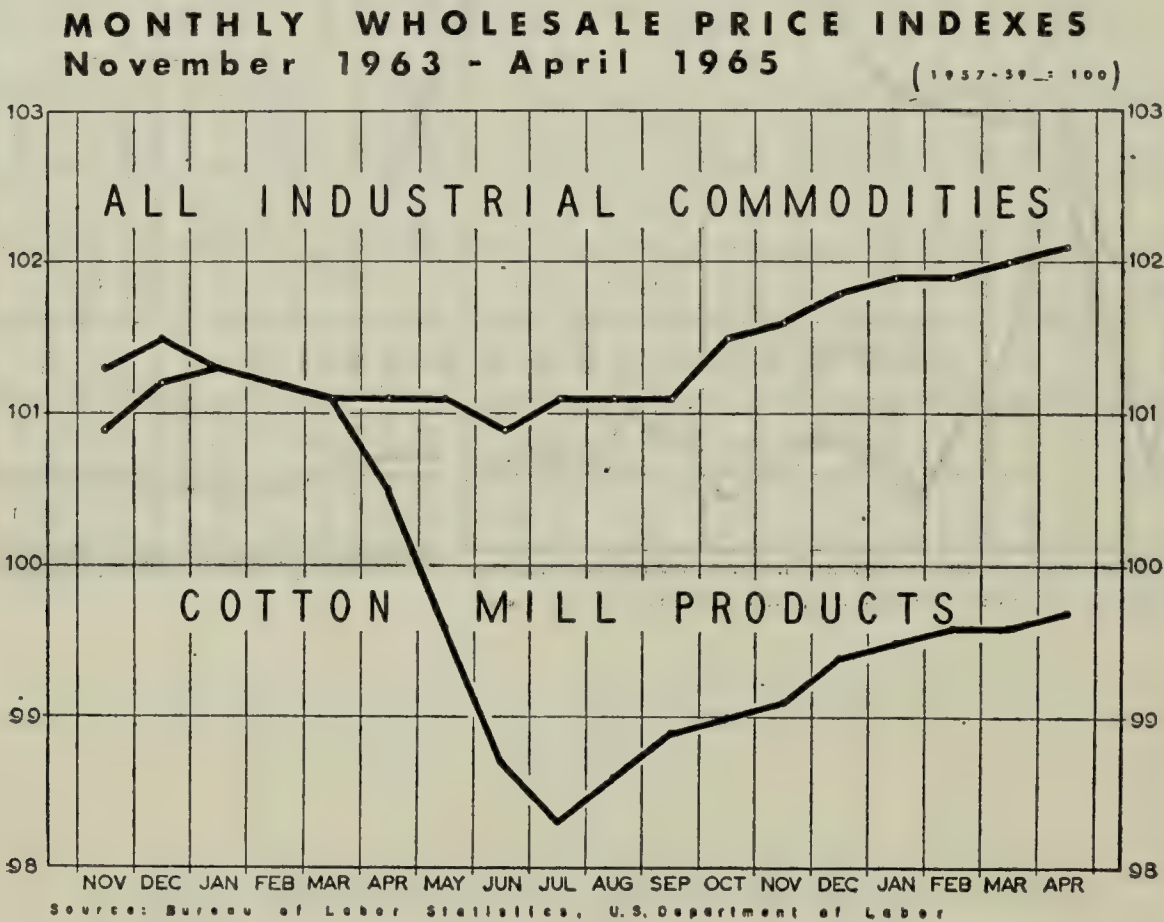
Source: Bureau of Labor Statistics, U.S. Department of Labor

WHOLESALE PRICE INDEX, ALL INDUSTRIAL COMMODITIES, AND COTTON PRODUCTS,
1947-63 ANNUAL, 1964 AND 1965 MONTHLY (BASE 1947-49=100)

Taking 1947-49 as the base, a gap between the wholesale price index for all industrial commodities and that for cotton products began to develop immediately in 1950 and by 1958 it had reached nearly 38 percentage points. In April 1965, the gap was 39.3 percentage points. The gap was composed of a 29.3 point rise in the index of all industrial commodities and a fall in cotton products of 10 points.

Year	All Industrial Com- modities	Cotton Products	Year	All Industrial Com- modities	Cotton Products
1947	95.3	103.1	1964-January	128.3	91.4
1948	103.4	105.0	February	128.1	91.3
1949	101.3	91.8	March	128.0	91.2
1950	105.0	99.5	April	128.0	90.7
1951	115.9	111.5	May	128.0	89.9
1952	113.2	98.5	June	127.8	89.1
1953	114.1	93.6	July	128.0	88.7
1954	114.5	89.1	August	128.0	89.0
1955	117.0	91.5	September	128.0	89.2
1956	122.2	92.9	October	128.5	89.3
1957	125.6	90.7	November	128.6	89.4
1958	126.0	88.3	December	128.9	89.7
1959	128.3	91.7	1965-January	129.0	89.8
1960	128.3	94.2	February	129.0	89.9
1961	127.6	90.6	March	129.1	89.9
1962	127.6	91.8	April	129.3	90.0
1963	127.5	90.5			

Source : Bureau of Labor Statistics, U.S. Department of Labor.



MONTHLY WHOLESALE PRICE INDEXES, ALL INDUSTRIAL COMMODITIES AND COTTON PRODUCTS, NOVEMBER 1963-APRIL 1965 (BASE 1957-59=100)

From April to July 1964 the cotton products index fell sharply but recovered somewhat in the following 2 months, while all industrial commodities remained virtually unchanged for the whole 6-month period, April to September 1964. Since October, there has been a slow rise in both indexes, with all industrial commodities rising slightly faster than cotton products.

Thus, after the initial price fall following the adoption of the one-price cotton system, cotton products came under the same influences which led to a general rise in wholesale prices of all industrial commodities.

Year and Month	All Industrial Commodities	Cotton Products	Year and Month	All Industrial Commodities	Cotton Products
1963—November-----	100.9	101.3	1964—August-----	101.1	98.6
December-----	101.2	101.5	September-----	101.1	98.9
1964—January-----	101.3	101.3	October-----	101.5	99.0
February-----	101.2	101.2	November-----	101.6	99.1
March-----	101.1	101.1	December-----	101.8	99.4
April-----	101.1	100.5	1965—January-----	101.9	99.5
May-----	101.1	99.6	February-----	101.9	99.6
June-----	100.9	98.7	March-----	102.0	99.6
July-----	101.0	98.3	April-----	102.1	99.7

COMPARISON OF SELECTED NET PROFIT RATIOS FOR TEXTILE INDUSTRY AND OTHER CORPORATE MANUFACTURING INDUSTRIES, 1963 AND 1964

INTRODUCTION

In 1964, U.S. corporations enjoyed their best earnings year of the current business expansion. Profits before taxes increased \$6½ billion over 1963 to a record \$57½ billion. Except for the recovery years of 1950, 1955, and 1959 this was the largest increase in profits in the postwar period.

With the reduction in corporate tax rates, \$5 billion of the increased gross profits remained as after tax profits, which amounted to \$31¾ billion. Dividends rose by \$1¾ billion during 1964, and undistributed profits by \$3¼ billion.

Table 1 shows corporate profits before tax by broad industry groups for 1963 and 1964. Manufacturing corporations for the year 1964 increased their before tax profits by about 16 percent over 1963 levels. This percent increase exceeded the 13-percent average increase earned by the total corporate sector.

RECORD OF CORPORATE MANUFACTURING BY INDUSTRY GROUP

The overall estimates of corporate manufacturing profits mentioned above reflect divergent movements in corporate profits for the various industry groups. Tables 2, 3, and 4 compare profit ratios for 1963 and 1964 both of the total corporate manufacturing sector and individual industry groups.

Table 2 presents the ratios of net profits after taxes to stockholders equity. The total for all manufacturing groups increased by 12.6 percent in 1964 (10.3 to 11.6 percent). Textile mill products increased from 6.1 to 8.5 percent, or by 30.8 percent. Only leather and leather products (52.2 percent) apparel and other finished products (51.9 percent), and printing and publishing except newspapers (38.5 percent) showed greater percent increases than textile mill products.

In spite of this healthy increase in the profit ratio for textile mill products, this industry still ranked 20th, or last, both in 1963 and 1964, in the earnings attributed to the corporate stockholders. The level of stockholders' earnings in the textile mill products group increased in 1964 to 73.3 percent of the average earned by the corporate manufacturing sector. In 1963 it was only 59.2 percent of the average earnings. The above-average earnings increase from 1963 to 1964 of textile mill products thus represented a narrowing of the gap between the below-average earnings in this industry and the other industry groups in the manufacturing corporate sector.

Tables 3 (net profits after taxes to total assets) and 4 (net profits after taxes per dollar of sales) show approximately the same relationships discussed above. Textile mill products in 1964 showed substantial increases in the relevant profit ratios over 1963 (36 percent for total assets and 34.8 percent per dollar of sales). These increases did narrow the gap between textile mill products and the other manufacturing industries. In spite of this relative improvement, textile mill products in 1964 ranked 19th (out of 20) in net profits earned on total assets,¹ and 16 (out of 20) in net profits per dollar of sales. In both instances the respective ratios were well below the average for the corporate manufacturing group (70.5 and 57.4 percent, respectively).

CONCLUSION

The corporate earnings record for 1964 indicates that the textile mill products group improved its relative position within the corporate manufacturing sector. More significantly it has reduced the wide differential separating this industry group from the profit norms earned by manufacturing industries as a whole and increased its potential to contribute to the continued growth of the American economy.

TABLE 1.—*Corporate profits before tax by broad industry group, 1963 and 1964*
[In billions of dollars]

	1963	1964	Percent increase
All industries, total.....	50.8	57.4	13.0
Manufacturing.....	26.7	30.9	-----
Durable goods industries.....	14.4	16.7	16.0
Nondurable goods industries.....	12.3	14.3	16.3
Transportation, communications, and public utilities.....	8.4	8.9	6.0
All other industries.....	15.7	17.5	11.5

Source: Survey of Current Business, April 1965, U.S. Department of Commerce, table 10, p. 6.

¹ A similar relationship is indicated by the material presented by George J. Stigler's "Capital and Rates of Return in Manufacturing Industries," a study by the National Bureau of Economic Research, New York, 1963. On table A-11, p. 130, for the 1948-57 period, the rates of return on corporate assets for textile mill products (except for 1948) are consistently lower than for total manufactures.

TABLE 2.—Selected relationships of net profits after taxes to stockholders' equity for manufacturing corporations by industry group, 1963 and 1964

Industry group	Net profits after taxes to stockholders' equity					
	Ratio (percent)		Percentage increase, 1964 to 1963 (col. 3 ÷ col. 2)	Ratio of industry group to all manufacturing corporations average (percent)		Ranking of industry groups based on ratios (col. 2 and col. 3)
	1963	1964		1963	1964	
All manufacturing corporations, except newspapers	10.3	11.6	12.6			
Transportation equipment	15.2	15.8	3.9	147.6	136.2	1
Electrical machinery, equipment and supplies	10.0	11.2	12.0	97.1	96.6	6
Other machinery	9.6	12.5	30.2	93.2	107.8	7
Other fabricated metal products	8.3	10.1	21.7	80.6	87.1	13
Primary metal industries	7.2	9.2	27.8	70.6	79.3	14
Stone, clay, and glass industries	8.7	9.6	10.3	84.5	82.8	18
Furniture and fixtures	8.3	10.1	21.7	80.6	87.1	12
Lumber, wood products, except furniture	8.2	10.0	22.0	79.6	86.2	13
Instruments and related products	12.0	14.3	19.2	116.5	123.3	15
Miscellaneous manufactures and ordnance	8.8	9.5	8.0	85.4	81.9	4
Food and kindred products	9.0	10.0	11.1	87.4	86.2	11
Tobacco manufactures	13.4	13.4		130.1	115.5	10
Textile-mill products	6.1	8.5	30.8	59.2	73.3	2
Apparel and other finished products	7.7	11.7	51.9	74.8	100.9	20
Paper and allied products	8.1	9.3	14.8	78.6	80.2	17
Printing and publishing, except newspapers	9.1	12.6	38.5	88.3	108.6	16
Chemicals and allied products	12.9	14.4	11.6	125.2	124.1	9
Petroleum refining and related industries	11.3	11.4	.9	109.7	98.3	3
Rubber and miscellaneous plastic products	9.2	10.6	15.2	89.3	91.4	5
Leather and leather products	6.9	10.5	52.2	67.0	90.5	8
						19
		</				

NOTE.—Stockholders, equity consists of capital stock (net of treasury stock), capital surplus, minority interest, earned surplus and surplus reserves, and reserves not reflected elsewhere.
Net profit after taxes consists of net profits from operations plus other income or deductions (net) less provision for Federal income taxes.

Source: Quarterly financial report for manufacturing corporations, Federal Trade Commission—Securities and Exchange Commission.

TABLE 3.—Selected relationships of net profits after taxes to total assets for manufacturing corporations by industry group—1963 and 1964

Industry group	Net profits after taxes to total assets				Ratio of industry group to all manufacturing corpora- tion average (percent)		Ranking of industry groups based on ratios (col. 2 and col. 3)
	Ratio		Percentage increase 1964 to 1963 (col. 3—col. 2)	1964			
	1963 (2)	1964 (3)		1963 (5)	1964 (6)	1963 (7)	
(1)							
All manufacturing corporations, except newspapers	6.56	7.39	12.7				
Transportation equipment	8.75	9.15	4.6	133.4	123.8	2	4
Electrical machinery, equipment, and supplies	5.80	6.46	11.4	88.4	87.4	8	9
Other machinery	6.09	7.79	27.9	92.8	105.4	6	6
Other fabricated metal products	5.21	6.16	18.2	79.4	83.4	12	13
Primary metal industries	4.83	6.04	25.1	73.6	81.7	15	15
Stone, clay and glass industries	5.95	6.52	9.6	90.7	88.2	7	8
Furniture and fixtures	5.08	6.13	20.7	77.4	82.9	13	14
Lumber and wood products except furniture	4.76	5.77	21.2	72.6	78.1	16	16
Instruments and related products	7.89	9.31	18.0	120.3	126.0	5	2
Miscellaneous manufacturing and ordnance	4.60	5.07	10.2	70.1	68.6	17	20
Food and kindred products	5.55	6.17	11.2	84.6	83.5	10	12
Tobacco manufactures	8.84	9.19	4.0	134.8	124.4	1	3
Textile mill products	3.83	5.21	36.0	58.4	70.5	18	19
Apparel and other finished products	3.65	5.63	54.2	55.6	76.2	20	18
Paper and allied products	5.43	6.22	14.5	82.8	84.2	11	11
Printing and publishing, except newspaper	4.90	6.86	40.0	74.7	92.8	14	17
Chemicals and allied products	8.57	9.39	9.6	130.6	127.1	3	1
Petroleum refining and related industries	8.30	8.45	1.8	126.5	114.3	4	5
Rubber and miscellaneous plastic products	5.58	6.31	13.1	85.1	85.4	9	10
Leather and leather products	3.78	5.68	50.3	57.6	76.9	19	17

NOTE.—Net profit after taxes consists of net profits from operations plus other income or deductions (net) less provisions for Federal income taxes.

Source: Quarterly financial report for manufacturing corporations, Federal Trade Commission—Securities and Exchange Commission.

TABLE 4.—Selected relationships of net profits after taxes per dollar sales for manufacturing corporations by industry group, 1963 and 1964

Industry group	Net profits after taxes per dollar of sales				Ranking of industry groups based on ratios (col. 2 and col. 3)		
	Ratio		Percentage increase, 1964 to 1963, (col. 3 ÷ col. 2)	Ratio of industry group to all manufacturing corporations average (percent)			
	1963	1964		1963	1964		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
All manufacturing corporations, except newspapers	4.7	5.4	14.9				
Transportation equipment	5.3	5.5	3.8	112.8	101.9	5	8
Electrical machinery, equipment, and supplies	3.8	4.2	10.5	80.9	77.8	10	11
Other machinery	4.7	5.8	23.4	100.0	107.4	8	6
Other fabricated metal products	3.2	3.7	15.6	68.1	68.5	14	14
Primary metal industries	5.0	5.9	18.0	106.4	109.3	6	5
Stone, clay, and glass industries	5.0	5.5	10.0	106.4	101.9	7	7
Furniture and fixtures	2.3	2.9	26.1	48.9	53.7	18	17
Lumber wood products except furniture	3.2	3.9	21.9	68.1	72.2	13	13
Instruments and related products	6.0	7.1	18.3	127.7	131.5	3	3
Miscellaneous manufacturing and ordnance	3.3	3.5	6.1	70.2	64.8	12	15
Food and kindred products	2.4	2.6	8.3	51.1	48.1	16	19
Tobacco manufactures	5.9	5.9		125.5	125.5	4	4
Textile mill products	2.3	3.1	34.8	48.9	57.4	17	16
Apparel and other finished products	1.4	2.1	50.0	29.8	38.9	20	20
Paper and allied products	4.5	5.1	13.3	95.7	94.4	9	9
Printing and publishing except newspaper	3.2	4.3	34.4	74.4	79.6	15	10
Chemicals and allied products	7.5	7.9	5.3	159.6	146.3	2	2
Petroleum refining and related industries	10.5	10.7	1.9	223.4	198.1	1	1
Rubber and miscellaneous plastic products	3.6	4.1	13.9	76.6	75.9	11	12
Leather and leather products	1.8	2.6	44.4	38.3	48.1	19	18

NOTE.—Sales are net of returns, allowances, and discounts. Net profit after taxes consists of net profits from operations plus other income or deductions (net) less provision for Federal income taxes.

Source: Quarterly financial report for manufacturing corporations, Federal Trade Commission, Securities and Exchange Commission.

The CHAIRMAN. Thank you very much, Mr. Smith, for your fine statement.

When you say that the textile industry has spent a billion dollars in modernizing its mills and in acquiring new equipment that means that you have made jobs in the industrial areas of the country where these machines are manufactured; is that not correct?

Mr. SMITH. That is correct; yes, sir.

The CHAIRMAN. Thus, the whole economy has profited by this cotton bill which has been in existence, or in operation for only about 10 or 11 months?

Mr. SMITH. Every community that we operate in, the banker, the merchant, the barber, the teacher, the preacher, every community that a textile mill is in has profited tremendously by this legislation.

The CHAIRMAN. Particularly the workers in the mills have profited because you now have three shifts a day and they have had three salary increases.

Mr. SMITH. They have had the highest earnings they have ever had and the most steady employment and in the case of Avondale we have a profit sharing plan whereby we divide our profits half and half with our employees after we earn 5 percent on stockholders' investment and last year we divided \$2,400,000 with our employees.

The CHAIRMAN. There is one other point that I want to emphasize.

One page 4 you say: "Long-range planning is a prime necessity all along the line. Consumer goods going onto retail stores' shelves today were made from cloth produced under orders placed anywhere from 6 to 9 months ago."

That means that the manufacturers do not have control over the ultimate retail price—you have no way of telling the retail store what price should be charged for the manufactured goods, is that not right?

Mr. SMITH. That is completely correct. We not only cannot control the retail price—we cannot even control our own price.

The CHAIRMAN. That is right. And these orders that were placed 6 to 9 months ago were orders that were placed under the financial situation that then existed—that is right, is it not?

Mr. SMITH. That is correct.

The CHAIRMAN. When people say that the consumers have not received the benefit pricewise of this measure, it is because these orders were filled based upon prices over which you had no control and which the retail merchant could not afford to reduce.

Mr. SMITH. This was accounted for in large measure by this pent-up demand that accumulated while everybody was waiting for this legislation.

The CHAIRMAN. That is right.

Are there any questions, Mr. Poage, or Mr. Gathings?

Mr. GATHINGS. Mr. Smith, could you give us an estimation and a little more detailed information than the National Cotton Council representative gave us with respect to what part of the 6½-cent subsidy went into labor cost at the mill? I asked the National Cotton Council representative, Dr. Horne, and he said that it was \$170 million that went into added labor costs in the textile manufacturing process. Could you give us any information as regards the percent?

Mr. SMITH. I cannot tell you how much of the subsidy went to wages, because there is no way to segregate it, but I can tell you how

much our wages have gone up. Maybe they would have gone up anyway—I do not know—but as I pointed out here, we have increased our wages 5 percent three times, and counting the fringe benefits and counting the pyramiding of it, it comes out to about, I suppose, 18 percent. And in dollars, my rough calculation is that it comes out to about \$340 million.

Mr. GATHINGS. Could you give us an estimation with regard to the hourly rate plus the fringe benefits—what was the hourly rate in 1964, and what was the hourly rate for the year 1963?

Mr. SMITH. My economist tells me that for 1963 it was \$1.71. These rates do not include fringe benefits, I am reminded. And then in 1964 he tells me that it was \$1.78 and in 1965 it was \$1.82. And then we have this latest 5 percent not yet reflected in the figures, which we estimate will move the average up to between \$1.90 and \$1.93.

Mr. GATHINGS. So that it has moved up from \$1.71 to \$1.82, as it is now in 1965?

Mr. SMITH. That is right.

Mr. GATHINGS. And you anticipate that there will be another raise ahead?

Mr. SMITH. Yes, just recently announced, but not yet fully in effect. And many of the mills are working overtime, and fringe benefits are growing also.

Mr. GATHINGS. What effect did these increases have on the price over the counter that the consumer must pay?

Mr. SMITH. Mr. Gathings, it is difficult to say. I tried to point out here that our prices are fixed by supply and demand. And if we go to our customer and say, "Our wages are up—our cotton is up—we have got to have some more money," the customer starts looking out the window, and he says, "That is very interesting, but I can buy it for such and such a price." And he has no interest whatever in what our costs are.

Historically, our industry has never sold, it has never been able to sell on the basis of what our costs are. We have to sell for what we can get. And many times we have had to sell below cost.

Now, happily, we are selling at a profit, but it is impossible to say what part of your price is determined by any element of cost, because the price is not based on cost. The price is based on what you can get.

Mr. GATHINGS. As you recall, a few months ago when the 1964 hearings were underway it was said that the consuming public would benefit tremendously by virtue of passage of the one-price cotton bill.

Mr. SMITH. That is right. And I think that is still valid. And when I say that the costs have no bearing on the price, of course, that is not exactly correct, because if the costs are down, then the people manufacture more and build more mills and there is a greater supply, and then that supply is reflected in a lower price, but as to the actual cost itself, until it creates additional goods it does not lower the price.

Mr. GATHINGS. What about you demand? Is the demand holding up as against the past 6 months or 8 months?

Mr. SMITH. Yes, sir; it is. I do not think, as I said in this statement, I do not think that we have quite caught up with the shortage or with the pent-up demand that had accumulated during the period that this legislation was under consideration. Everybody, of course, that used any cotton goods in any form knew when the price of cotton was under

consideration and they waited. Everybody who could possibly wait, waited to buy until the legislation passed. And that pent-up demand came into the market and kept the prices from going down to the extent that many people, including myself, felt that they would.

Mr. GATHINGS. Thank you.

The CHAIRMAN. Are there any questions, Mr. Jones?

Mr. JONES of Missouri. You said that you would like to build a new mill which would be devoted exclusively to the spinning of cotton. We made a trip a couple of years ago in January down through some of the textile areas. And I got the impression that you were using the same machinery whether you were weaving textiles from synthetics or from cotton. You do not have to change the machinery. You can put one or the other in there now, can you not?

Mr. SMITH. That is true to a considerable extent, Mr. Jones. It happens that the two mills that Avondale has built, which I referred to, were built under what we call the woolen system and were built specifically to spin synthetics.

There have been a number of cotton mills that were built to spin cotton that had been converted over into spinning man-made fibers. And as you point out, that is the usual way to do it. But the mill that I was going to build, that I want to build, rather, I was contrasting with the two that we have built which are not suitable for spinning cotton.

Mr. JONES of Missouri. In other words, this mill that you would build would only spin cotton. They tell me that a mill that spins cotton can spin synthetics, too, can it not?

Mr. SMITH. Yes, with certain adjustments. But not every mill that can spin synthetics can spin cotton. These two mills that we have built, as I said, on the woolen system, spin fibers 6 inches long and they cannot spin cotton.

Mr. JONES of Missouri. Thank you very much.

The CHAIRMAN. Mr. Hagen.

Mr. HAGEN of California. What effect has this lowering of the price to the mills had on imports this year of yarn and textiles?

Mr. SMITH. It has had a helpful influence. It has not stemmed the tide of textile imports. I would say that it has held it about where it was with some increase. The imports in March were at an alltime high, but March was affected by the dock strike. You remember we had a dock strike, I believe in January and February, and the imports for the first 3 months, which are the most recent figures I have seen, of 1965, were above the first 3 months of 1964. So that it has helped hold them down, particularly has helped in the areas where cotton is the principal element of cost. That is, like in yarns and heavy fabrics. Where labor is the principal element of cost there has not been any falling off. As a matter of fact, there has been an increase in imports.

Mr. HAGEN of California. Has there been any effect on the price of synthetic materials—that is, has there been a lowering of the price of synthetics?

Mr. SMITH. No, sir. I believe, Mr. Hagen, that the prices of synthetic fabrics have actually gone up. And the mills which show the best profit are the mills which make the largest amount of manmade fiber fabrics. For instance, in Avondale, we have these two mills that are on manmade fibers only, and one mill which is one-half manmade

fiber and one-half cotton. And in those mills we show a substantially better profit than we do in the mills which are running only on cotton.

In Burlington, Mr. Ruffin's company, it is the largest consumer of manmade fibers in America. And I believe it is safe to say that it has the best earnings of any in the industry, which is due both to that fact and actual management of the Burlington Industries.

Mr. HAGEN of California. If that is the case, why do you bother with cotton at all?

Mr. SMITH. How is that again?

Mr. HAGEN of California. If that is the case—if there is more profit in spinning synthetics, why do you bother with cotton at all?

Mr. SMITH. Well, of course, there are several answers to that question. One is that there is not enough synthetics to go around. That is No. 1. The synthetic people are increasing their production all of the time. But most of the synthetics are on an allocated basis.

And, No. 2, there are a number of products that cotton is better suited for, that you would not put synthetics in under any circumstances.

The CHAIRMAN. You were talking about putting in new machinery for textiles and you indicated also that these two mills were built for synthetics. Mr. Jones asked if you could not use the same machinery for spinning cotton. We have seen machines operate where the synthetics go in on one side and cotton goes in on the other side, and it is all blended together. Is that not the way it works?

Mr. SMITH. That is right.

The CHAIRMAN. Which indicates that large sums of money are going into plant expansions, but it also indicates that this would be used against cotton and not for cotton. That is true, is it not?

Mr. SMITH. No sir; I do not think so. We at Avondale are using more cotton than we have ever used in the history of the company—substantially more.

The CHAIRMAN. The machinery that you are buying is exclusively used for synthetic fibers and not for cotton?

Mr. SMITH. In these two instances that I mentioned, that is correct. I would want the record to show that those would not be typical mills. The typical mill, as Mr. Jones pointed out, would be a mill that could spin either one or the other.

The CHAIRMAN. That is right. Thank you.

Mr. HAGEN of California. Are there any kinds or varieties or qualities of cotton in short supply?

Mr. SMITH. Is there any what?

Mr. HAGEN of California. Is there any kind of cotton in short supply?

Mr. SMITH. Well, I expect, Mr. Hagen, that you asked that question for a purpose and I am glad to help you out. There is a shortage of California cotton.

The CHAIRMAN. What? [Laughter.]

Mr. HAGEN of California. Yes. You say California cotton is in short supply.

Mr. SMITH. And it is selling at a very high premium, I might add, too.

Mr. HAGEN of California. Is it costing too much?

Mr. SMITH. It is what?

Mr. HAGEN of California. It is costing too much, too, is that not correct?

Mr. SMITH. Well, I do not know about too much. Maybe it is like the two men who were looking into the whisky store window, and one pointed out the change in the prices, and the other said, "Well, fine, they are going to get it up to what it is worth." [Laughter.]

Mr. HAGEN of California. I saw an article in the Washington News by Jack Steele on the cotton program, and if there are a few more articles like that we will not have any cotton program pass this Congress. You will have to figure out a way to get the cost down to the Government. I think that you know the answers to that. I hope you support a program that will do that, to get rid of some of these gimmicks in the cotton laws which penalize cotton which is in demand and encourage the production of junk.

The CHAIRMAN. Mr. Poage.

Mr. POAGE. Are you suggesting that under the present law the processors are making good profits?

Mr. SMITH. Yes.

Mr. POAGE. I am glad that they are. You point out that under the present law that the workers are receiving substantially higher wages and I am glad that they are doing well. But do you offer any kind of suggestion as to how the farmer might do just a little bit better than he is doing?

The CHAIRMAN. What he has pointed out, Mr. Poage, is that the industry has done certain things to bring about better balance in the cotton economy, but the cotton farmer, as you have constantly pointed out, has had his acreage reduced from about 42 million acres down now to 16 million acres. And we have a proposal here before us now that would further reduce that to 14 million acres.

How much further can the cotton farmer go with the reduction programs which have taken him from 42 million acres down to 16 million acres, and now down to maybe 14 or 15 million acres?

It seems to me what you are saying is that the burden has to be lifted because the cotton farmers down my way cannot grow any less cotton.

Mr. POAGE. I am not talking about their proportion but about what he is getting. He is getting less for his cotton than he was getting years ago. You are not selling anything for anything less than you sold it 20 years ago. You are not paying your workers less. Everybody has had an increase except the farmer.

Can you suggest any way in which he can tie onto this train and go along with you folks in the pullman cars at the same rate of speed?

Mr. SMITH. Mr. Poage, first, I believe that before you came in I commented that the cotton cloth was selling at 10 percent less in cost in actual money, 10 percent less than it was selling for in 1947-49. That is almost 20 years ago. That we, instead of going up, have gone down 10 percent, where everything else—all manufactured commodities have gone up an average of 29 percent.

Mr. POAGE. Cotton at that time was selling for about 45 cents.

Mr. SMITH. In 1947 and 1949 I guess it was.

Mr. POAGE. And it is now selling below 30 cents.

Mr. SMITH. And we have gone down.

Mr. POAGE. That means farmers are getting about one-third less.

Mr. SMITH. We have gone down more than the 10 percent. The only hope that I see for cotton is through using more of it. I made the prediction that if we were assured of one-price cotton that in a relatively short time—and I would say less than 3 years—we would use over 10 million bales and the mills of America could use that, and we would take off from that. I think only by using it and making something useful out of it, and pricing it so that the consumer will buy it, so that the mills will buy it in competition with the manmade fibers, I think that is the only hope that I can hold out. And, of course, try to get everybody to get the cost down.

The CHAIRMAN. I want to thank you for being here.

At this time, without objection, I will place in the record at this point a statement by the Northern Textile Association, as well as a telegram which has been received from Mr. J. D. Hays, president of the Alabama Farm Bureau Federation.

(The documents referred to follow:)

STATEMENT OF GORDON OSBORNE, CHAIRMAN OF NORTHERN TEXTILE ASSOCIATION,
80 FEDERAL STREET, BOSTON, MASS.

My name is Gordon Osborne. I am chairman of the Northern Textile Association, representing New England's cotton, wool and manmade fiber textile industry, with headquarters at 80 Federal Street, Boston, Mass. I am also president and treasurer of Warwick Mills, with offices at 178 Atlantic Avenue, Boston.

We endorse the statement made by the American Textile Manufacturers Institute in favor of a continuation of a program which would enable American mills to purchase cotton at world prices.

Cotton textiles and textile products are a significant part of the overall textile-apparel industry in New England, which in turn is essential to the economy of the region and individual States. There are 200,000 workers in over 3,000 textile and apparel plants, accounting for 13 percent of manufacturing employment in the 6-State region. In Rhode Island, textiles and apparel constitute 23 percent of manufacturing employment, by far the largest segment. In Massachusetts, these workers constitute 17 percent of manufacturing employment. In New Hampshire and Maine, 14 percent. In the city of Boston, about one-quarter of all manufacturing jobs, the largest single segment, are concentrated in textiles and apparel. Over 70 percent of manufacturing jobs in the Fall River area are concentrated in textiles and apparel.

Ninety million pounds of yarn are spun and over 500 million square yards of cotton broadwoven fabrics are woven in 20 New England cotton textile mills employing 8,000 workers. There are 47 dyeing and finishing establishments employing 7,200 workers in New England, which bleach, dye, print, coat, and rubberize unfinished grey cotton goods from mills all over the country, as well as New England. In addition to these basic textile operations, there are literally hundreds of firms scattered throughout the six-State area which make countless apparel, industrial, home furnishings and other specialty cotton items from purchased yarn and fabric.

New England is the largest producer of narrow fabrics, with 125 establishments employing over 8,000 people, making a variety of cotton products. These include zipper tapes, shoe laces, webbing, elastic fabrics, industrial beltings, venetian blind tapes and cords, etc. Several establishments manufacture a variety of cotton cordage, including sash cord and clotheslines. Other firms process cotton for medical uses, such as absorbent cotton and surgical dressings.

An additional 780 knit goods, apparel and other textile fabricating plants, employing 60,000 people in New England, knit, cut, sew and trim cotton yarn and fabrics in the manufacture of coats, suits, skirts, sweaters, slacks, jackets, mufflers, ski clothes, gloves, dresses, capes, cloaks, hats, and caps.

Cotton textile mills in New England are substantial customers of the textile machinery and supplies industry in New England, employing over 16,000 people in over 150 establishments providing more than one-half the original textile machinery made in the United States.

The distribution and marketing of the output of these establishments involves the employment of many others and the income of numerous enterprises.

We, therefore, respectfully urge that the program enabling American mills to purchase raw cotton at world prices be continued so that they may better compete in the marketplace.

A continuation of the one-price cotton program is an essential element in the continued stability of New England mills and plants processing cotton and cotton products.

MONTGOMERY, ALA.,
June 7, 1965.

HON. HAROLD D. COOLEY,
Chairman, House Agriculture Committee,
House Office Building, Washington, D.C.:

Regret unable to appear before your committee in person for testimony on the important cotton hearings last week and for cross-examination on June 8. We believe our proposals are the best possible solution and urgently solicit your approval. We again point out that price reduction in textiles for consumers has not materialized. Large sums of money are going into additional plant expansion but indications are that this will be used against cotton—not for it—as consumption of noncellulosic fibers has continued to expand and will probably continue as these new spinning facilities are brought into production. There has been little change in 1964 in the volume of textile imports or exports. The cost of the program has been more than expected. Farm marketing of cotton has diminished and surpluses have increased. The policy that appears to be emerging in the currently proposed administration's farm legislation is that of requiring the farmer to sell or support his crops at world prices. At the same time, inflation, increased labor and material costs in the supplies that farmers used, wage and hour legislation, and other factors in the U.S. economy, all combine to continually increase costs. Under such policy farmers could never share in the expanding U.S. economy.

Farm bureau's proposed cotton legislation offers a substantial and workable solution to these problems.

We request that this statement be included in the record of the hearing.

JAS. D. HAYS,
President, Alabama Farm Bureau Federation.

The CHAIRMAN. I want to make a statement before adjourning this afternoon's session.

We will meet at 10 o'clock tomorrow morning.

I want to announce that we will close the hearings not later than Monday. We want to hold it open until Monday to give others an opportunity to appear. We will close the hearings on Monday.

We will now adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 2:10 p.m. the committee recessed to reconvene at 10 a.m., Thursday, June 10, 1965.)

COTTON

THURSDAY, JUNE 10, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 1301 Longworth House Office Building, Washington, D.C., the Hon. W. R. Poage presiding.

Present: Representatives Poage, Gathings, Abernethy, Jones of Missouri, Hagen of California, Olson, O'Neal, Stalbaum, de la Garza, Vigorito, Redlin, Greigg, Callan, Dague, Teague of California, Latta, Dole, and Walker.

Also present: Representative Brock Adams, of Washington; Martha Hannah, staff; John J. Heimburger, general counsel; Francis LeMay, consultant, and Fowler West.

Mr. POAGE. The committee will please come to order.

The committee is met this morning to continue the hearings on cotton. According to the list that the chairman has before him, our first witness is to be Mr. Thomas Keister Greer, general counsel for the Salyer Land Co., of Corcoran, Calif. Mr. Greer, we will be glad to hear from you.

STATEMENT OF THOMAS KEISTER GREER, GENERAL COUNSEL, SALYER LAND CO., CORCORAN, CALIF.

Mr. GREER. Mr. Chairman and members of the committee, my name is Thomas Keister Greer and I am general counsel for Salyer Land Co., a cotton producer in Kings County, Calif. Kings County is in the southern San Joaquin Valley; the headquarters of Salyer Land Co., is in Corcoran, Calif.

Mr. Chairman, I should say at the outset that I am a lawyer, not a farmer, and while I have represented Salyer Land Co. for many years, my only acquaintance with the cotton problem is that of a lawyer representing a California cottongrower which is trying to farm and live with the regulations.

That, Mr. Chairman, is a task which Salyer Land Co. has found increasingly severe. The company has approximately 60,000 acres of cropland. Its cotton allotment, however, is only some 7,000 acres. Real estate taxes in California, as in most other places, are increasingly a burden on the farmer and they do not diminish when allotments are diminished. The land is taxed for its highest and best use, which is agriculture, but it cannot be put to its highest and best use, which is the culture of cotton, save for some 7,000 out of 60,000 acres.

The situation of California cottongrowers as a whole is similarly tight. The 1965 allotment for the whole State is only 735,907 acres.

The utilization of this allotment is so intensive that the State reserve for inequities and hardship is zero acres. The Kings County reserve for inequities and hardship is zero acres. By contrast, the State reserve in Texas for inequities and hardship is almost larger than the entire allotment for the State of California.

I do not show the figure in my paper, but it is 678,908 acres.

A reduction of 2 million acres out of 16 million is a reduction of 12½ percent. To apply such a reduction across the board could appear to be equitable but it is not. In many States, a 12½-percent reduction will cause little if any hardship. The reserves for trends, and for inequities and hardship, in such States are more than adequate to cushion any impact. But in California the effect of a 12½-percent reduction will be very harsh indeed, and will aggravate an already difficult situation. A uniform reduction in anything, for rich and poor alike, must of necessity cause greater hardship to the poor, and in terms of cotton allotment, California is a pauper. Although cotton is the mainstay of California agriculture, we are beset with land costs among the highest in the Nation, with ad valorem taxes among the highest, and with increasing costs for labor and water. It is easy to see why we are looking upon a further suggested cut of 12½ percent in cotton allotment with considerable anxiety.

I might interpolate at that point, Mr. Chairman, to say that it is common now to pay \$1,000 an acre for good cotton land in California and that it is common to provide in the agricultural leases that if the cotton allotment be reduced the cash rental to the landlord will be accordingly reduced. And those figures in the last couple of years have reached almost \$100 an acre so that the economic impact on many persons holding land in California, not farming it, let us say, persons not in a position to farm, could be increased very considerably if there is a 12½-percent across-the-board reduction affecting California cottongrowers.

All the cotton grown in the San Joaquin Valley is Acala 4-42, a special variety developed in California through long years of experimentation. None of it is in the loan. Acala 4-42 is not in surplus, but is instead in demand. I have been told that the reason for this is that the fiber is of such strength that it is used by the mills for blending with other cottons; the presence of the Acala fibers permits a mill to run its equipment faster. I am also given to understand that the tendency of Acala 4-42 to have a uniform staple promotes its desirability.

If these facts be true, as I am given to understand they are, the continuance of the present restrictions on Acala 4-42, to say nothing of further cuts in the allotment, are difficult to justify:

- (1) Acala 4-42 does not require Federal assistance in marketing;
- (2) Acala 4-42, being in demand, does not add to the agricultural surplus, and does not end up in the Government's surplus stocks;
- (3) Acala 4-42 does not add to the cost of the farm program; it is not grown for sale to the Federal Government;

(4) Since Acala 4-42 is used primarily for blending with other cottons, increases in production of Acala 4-42 would increase consumption of such other cottons, and would tend to reduce rather than add to the surplus of other cottons; and

(5) It is obviously uneconomic and unrealistic for farmers to produce food or fiber designed primarily for purchase by the Government. But it is even more unrealistic to prohibit or reduce production of foods and fibers which are in demand. Such restrictions curb the Nation's economic growth rate, and accentuate its balance-of-payments problem.

A simple way of making certain that Acala 4-42 would not add to the cost of the farm program would be to provide that any farmer who wished to grow it without any acreage limitations might do so, provided that prior to the advent of the growing season he deposited with the county committee a writing waiving any right to price supports for that year.

The situation with regard to California cotton would not be so desperate if the same flexibility existed among the States as exists among the counties.

If I may interpolate, sir, at that point, I think that this past year the Secretary of Agriculture, by regulations, provided substantial amounts of cotton in four States—I think in North Carolina, Texas, Arkansas, and Tennessee—I may be wrong in that enumeration—because there were certain areas in those States where the allotments were not being used and utilized, and there were other areas which were going more into the large-scale production of cotton, and that possibility was a very useful device for accommodating the demands of those areas where cotton was needed and making a provision for it to be sent away from the areas where it was no longer particularly desired.

We have no flexibility whatsoever in that regard as among the States. If there is a State which finds that its economy has so grown and that economic matters have changed as well as other matters, then its allotment is nevertheless frozen, and if there is a State such as California, which is a relative newcomer to cotton, that State finds itself absolutely frozen by the historic pattern of the past.

But there is no national reserve for trends as among the States, or for the correction of inequities or hardships as among States. The State committees have reserves for trends and for correction of inequities and hardship as among counties. But the Secretary of Agriculture has no such reserve which he can use as among the States. Indeed, although cotton is a national problem, the approach to that problem is undertaken on a State-by-State basis, with the result that as time passes there is enormous pressure for allotment in new areas where it can be grown economically, and considerable surpluses of allotment in other areas. We had hoped that the present legislation would make provision for transfers of allotment between States, but the basic farm bill, H.R. 7097, section 601, provides that there may not be any interstate transfers. This viewing of cotton from the standpoint of the States rather than from the standpoint of national policy causes me some concern as a lawyer, for the basic farm legislation, the Agricultural Adjustment Act of 1938, was sustained by the Supreme Court on the ground of the national power over interstate commerce. See *Wick-*

ard v. Filburn, 317 U.S. 111 (1942). It is paradoxical, Mr. Chairman, to enact legislation whose constitutional basis is the Congress power over interstate commerce, and then to deal with cotton solely on a State-by-State basis.

As as aside, I will say in making that statement that I do not waive my position as either a Virginian or a Confederate.

I would like to say just a word about skip-row planting.

I would like to say just a word about something that I have seen only as a lawyer, again, not as a farmer, but I think that I know what it is, because I have seen it develop in California and that is skip-row planting, which you gentlemen have heard quite a bit about in the course of these hearings.

Salzer Land Co., in common with many other producers, has invested considerable sums of money in equipment suitable only for skip rowing. Skip-row planting is admittedly uneconomic. But where the cotton allotment is more valuable than the land itself, it is a means by which an acre of cotton allotment can be stretched so as to use the soil resources of an acre and a half of land.

The Secretary of Agriculture has announced proposed regulations to curb skip rowing.

Actually, I think that the proposed regulations provide that even more land is to be taken into account, and the net effect, certainly, to us would be that we would have to cease skip rowing, because the land costs so much and the taxes on the land are so high that we would have to go back to solid planting and could not afford to skip row. This will have a harsh effect on all farmers who have bought equipment based on the regulations permitting skip rowing. Just as we have ourselves purchased equipment which is feasible only for use in skip rowing and which will now become obsolete overnight.

Here again a simple criterion could well be applied. The farmer should be permitted to skip row if he is willing to waive price support on the production of the skip-rowed acreage.

Mr. ABERNETHY. You say that he should be permitted to skip-row if he waived the price support?

Mr. GREER. On the skip-row acreage, sir. We think this, that in the long run if this magnificent fiber which is American cotton is to survive it is going to have to hold its own in the marketplace. And that is the long run, I am happy not to have the responsibility of saying when, but at some juncture, the cost of this program to the Federal Government is so great that the price support cannot survive indefinitely. American cotton is a splendid thing, and being a fine thing it does not in the long run need price support. What I am saying is that now, with regard to skip rowing, that the concern of the Secretary about skip rowing comes from the additional production. Well, now, the additional production that we get from skip rowing does not go into the loan. We are in the happy position—I do not mean to sound boastful about it—but we are in the happy situation of being able to sell it at a premium, selling it all to one mill, which mill tells us that they are able to use more cotton, including types of cotton which would ordinarily be in surplus by virtue of getting the Acala 4-42. And if we and any other producer would be willing to waive price supports on so much cotton as results from skip rowing then that cotton could not cost the Federal Government any money as far

a skip-rowing is concerned. We would suggest that ought to be an answer to the skip-rowing problem.

Now, Mr. Chairman, when I came up here yesterday that was the end of what I had to say and I sat through yesterday morning's hearings and found them very interesting indeed, and went back to my hotel room and added a page. I feel a little different about including this page in my presentation, but I am emboldened to do so by being able to cite some high authority.

What got me started on this was a question which the chairman, Mr. Cooley, asked Mr. Cortright yesterday morning. Mr. Cortright had made a very effective and a very splendid presentation. And the chairman asked him at the conclusion of it, after telling him what a very fine presentation it was, saying, "Specifically, what are we going to do? There are going to be another 1 million bales added to the carryover this year, and the cost of the program is getting so enormous. What specifically can you tell us to do?"

And Mr. Cortright said, "I am happy, Mr. Chairman, that the committee has to wrestle with this problem rather than me."

Now, you gentlemen have forgotten more about cotton than I will ever know, and I certainly do not have any answer to it. But I talked to the officers of my company since the hearings yesterday morning, and we do have a suggestion to make which is offered without pride of authorship of any kind or character. At a time when the attention of the country is focused on the magnificent accomplishment of these two astronauts, one of whom has just taken a walk in space, we are emboldened to suggest that this is a changing world and that the rate of change itself is accelerating. And we suggest that although we have accustomed ourselves to some changes in other areas our thinking does not keep pace.

Agriculture is such an area. The dichotomy between "agriculture" and "commerce" no longer has meaning or validity and its continued existence tends to distort our thinking. That is a part of our problem and when I say "our problem," I mean the problem of all of us.

Mr. TEAGUE of California. I do not understand that word, "dichotomy."

Mr. GREER. I do not know that I know what it means myself.

Mr. ABERNETHY. I do not understand that. I would like to know what it means.

Mr. GREER. I put it in because I thought that I would be able to add \$10 to my fee. [Laughter.]

Mr. ABERNETHY. I think that you are entitled to more than \$10.

Mr. GREER. It is a separation of the two parts. We have grown so accustomed to separate agriculture and commerce that we think of them as two different things. I am not sure that that is true any more. We have a Department of Agriculture and the Department of Commerce and we have a very sharp cleavage, and the forms illustrating the cleavage still exist, but the substance is no longer there.

There is no essential difference today between a successful farmer and any other successful businessman. The fact that he uses land to produce that which he sells is no distinction; so does the oil company, the mine, and many others. In point of fact, the successful farmer today is an industrialist, a man who has come to terms with the technological revolution. But we persist in investing the farmer with

sentiment bound up with this country's past. America used to be rural. Today America is urban, and becoming more so. The change is one which I personally regret, but we might as well resist the tides as to resist the urbanization and mechanization of the second half of this century.

Talk of the "family farm" is a nostalgic longing for the past; it does not reflect reality. It is unfortunate—and I emphasize the word "unfortunate." I come from a rural county and as a boy I knew what it was like to hoe a hill of corn. I come from Franklin County, Va. I do not think that there is a county in the United States that is any more rural. I was raised on a farm. The small farmers are leaving the farm for jobs in industry by the drove, and their wives are not behind them; they are ahead of them. They are leaving their jobs on the farm for jobs in industry. It is our suggestion, Mr. Chairman, that any attempt to freeze our thinking about agriculture into a pattern of family farms is as unrealistic as was the attempt on the part of Mahatma Ghandi and Nehru to freeze and restrict the Indian textile industry into a concept of family spinning wheels and family looms which, as you gentlemen know, was attempted. We would regard it as quite unrealistic if any attempt were made to break down the American textile industry to the point where everybody had a spinning wheel and a loom in their home. And any attempt to freeze the American agricultural situation into a scheme of family farms is equally unrealistic. I say that I fear it because it is a change which, speaking as an individual, I do not welcome.

The American farm produced this country. And the Virginians who put this country together, if you do not mind my saying so, were all farmers. But we have to come to terms with the machine age. The machine has taken over the American agricultural situation. And the machine and the family farm are, I fear, two incompatible notions.

If the problems of cotton could be viewed for what they are—the problems of a branch of industry whose members must ultimately survive or fail by the discipline of the rest of the industry, the marketplace—then we would, I think, have at least gotten into position to study the problem.

The President put it much more ably in his agricultural message of January 4, 1965:

We need to change much of our thinking on farm policy. Just as we do in other segments of our economy, we need to separate the social problems of rural America from the economic problems of commercial agriculture.

I want to thank you, Mr. Chairman and members of the committee, for having heard me.

Mr. POAGE. We are very much obliged for a very interesting presentation. I think that you have given us something that has raised a fundamental question which has not heretofore been raised before the committee. Certainly one of those fundamental questions is whether we feel that there is an obligation on the part of the Federal Government to try to maintain the American cotton growing industry.

We have for several years recognized the desirability of helping certain segments of industry, such as the shipping interests that could not without Government subsidies have operated. This fact has been recognized and most people say that it is desirable that we ought to

have the American flag on the seas. So we have put up billions of dollars for the purpose of keeping the American ships on the seas.

It has been true at least in the past and even in large part today that the airlines have been entirely dependent upon a Federal subsidy. We certainly would not have the transcontinental airlines that we have today which are paying out if we had not had Government subsidies.

I think that can be said of every form of transportation.

We gave one-tenth of the entire area of the United States to the railroads.

We have built at the expense of billions of dollars a vast system of highways which enables our motor transport system to function. It could not function without the governmental assistance that it has had.

We have helped a great many segments of industry that were worthy of public assistance.

I think it is a fundamental question whether we think that agriculture is worthy of public assistance.

Mr. GREER. Sir, there would be no question that as far as American agriculture is concerned that it is of value and that it is worthy of assistance, of such assistance as the Federal Government can give it. And there equally is no question but that the choice of the Federal Government to subsidize the industries you have mentioned initially to subsidize the railroads and to subsidize the shipping people and the airlines were decisions that were certainly mandatory, but the aim has been to enable them ultimately to compete on their own terms. And I think that they are approaching that.

Mr. POAGE. American ocean shipping is getting aid today.

Mr. GREER. That is a subject on which my ignorance is even greater than it is on cotton, but I think that there is perhaps a defense impact there.

On American cotton the Federal Government came to its rescue and subsidized it when it was selling for 5 cents a pound. And goodness knows that was a proper decision. It would seem to us that that very fine decision on the part of the Federal Government has reaped its reward in that American cotton has survived. The situation of the depression made that necessary. The depression was so great that no individual producer could cope with it. That has now passed us and cotton is a fiber that is in danger of being very greatly harmed rather than aided by any continuance. It may be killed by kindness, if I could use that phrase. If the program of subsidization has as its effect the loss of our domestic markets to manmade fibers and the loss of our foreign markets to overseas competitors, then we will have been subsidized out of existence.

I went to the Sudan a little over a year ago. We never felt very much about competition from the Sudanese, because they and their friends to the north, the Egyptians, were raising only extra long staple cotton which, as I understand, commands around 5 percent of the world's market and does not really compete with American upland fibers. They had an experimental planting of 8,000 acres of Acala 4-42 and they were studying that cotton and very earnestly, indeed.

I have seen a great many statistics presented to this committee showing how our export market is dwindling. The committee is familiar with the extent to which the artificial fibers are taking over.

If the continuation of subsidization has the effect of weakening this magnificent fiber which is so intertwined with the course of American history, it would be most unfortunate. And it seems to me, speaking, as I say, from the vantage point of ignorance, that is the direction we are heading.

Mr. POAGE. What you are saying now is based on the assumption that our subsidization is driving cotton out of the world markets.

Mr. GREER. Yes, sir.

Mr. POAGE. I do not accept that as a fact.

Mr. GREER. Then I am wrong, Mr. Chairman.

Mr. POAGE. You have given us your opinion on it. I recognize that a man can honestly hold another opinion on this, but I think that we might apply the Sudanese situation to this. Do you think it possible for the United States to ever lower the price of American cotton in the world markets to such a level that you will drive out the foreign growers—for instance, I talked to a man from just across the line in Mexico, across a barbwire fence from California, just a few nights ago. He is Mexican. He is growing cotton in Lower California. He was not 2 miles from the American line. He was growing the same type of cotton that they were growing in the Imperial Valley. He said that he was growing the same as they were growing over in the Imperial Valley.

Mr. TEAGUE of California. I never miss an opportunity to mention this. And he was required to pay \$1 a day instead of \$1.50 an hour for labor, too.

Mr. POAGE. The gentleman pointed out that he got his labor for about one-tenth of what you were paying on the American side. That is exactly what he told me. He was paying about one-tenth for his labor, about one-tenth as much as you are paying on the American side. He was selling his cotton and getting 24 cents for it, he said. Of course that is substantially less than you are getting, but he said that he could not make anything at 24 cents and he was quitting the cotton business as of this year; that there was no money in it at 24 cents for him in old Mexico even with its cheap labor, its cheaper costs all the way around.

Now, then, it seems to me that if he cannot make money at 24 cents on the world market that you cannot, either.

Mr. GREER. Well, sir, I am frank to say, Mr. Chairman, that we would a whole lot rather get 36 cents than 24 cents a pound, but we do not think, sir, that our long-range interests—the short-range interests might be different, but that our long-range interests are served by selling our cotton for more than it is worth on the world market.

Mr. POAGE. I do not think that you will sell much cotton on the world market for more than it is worth, Mr. Greer, because we have no way of compelling anybody abroad to buy American cotton that they do not want to buy. I do not know of anybody who pays us more than they think that our cotton is worth.

Mr. GREER. No, what I mean is this, sir. We do not think that the long-range interests of the cotton industry are served by selling at 36 cents, if it is only worth 24 or 25 or 26 cents on the world market.

Mr. POAGE. I do not think that you will sell above the world market price very long.

Mr. GREER. We sold 5 percent this past year under the export program.

Mr. POAGE. If you offered all of your cotton on the world market for 20 cents a pound, what do you think that the average grower of cotton in Mexico, the average grower in the Sudan, would offer his cotton for?

Mr. GREER. If we were not frozen to a price——

Mr. POAGE. I understand that you are not frozen to a price. Let us assume that the price can go down to 12 cents or any other price.

Mr. GREER. I think, sir, that we could negotiate a price that would return a fair profit. Now, I do not know what the situation of the gentleman was to whom you spoke in Mexico. I do not know what the spinning quality of his cotton was or what his condition was or anything else about it, but if he had anything at all he ought to have been able to make a profit at 24 cents.

Mr. POAGE. He said that he could sell out to somebody else—he said that somebody else might be willing to try it.

Mr. GREER. I saw something of this experimental planting of the Sudanese. They did not know yet about defoliation. They were still planting by hand. They knew nothing whatever about machine picking. And it is going to be at least a generation before any of those people have learned the techniques that the American cotton growers know. And by the time they have learned those techniques, if we have studied and worked as we are expected to study and work, we will be another 20 years ahead of them. It is the competitive element, Mr. Chairman.

Mr. POAGE. I recognize all of that, but what I am driving at, Mr. Greer, is that the man in the Sudan who is growing cotton along the White Nile has got to sell that cotton. There is not any Commodity Credit Corporation that is going to hold it for him. He has to sell it.

Mr. GREER. Yes, sir.

Mr. POAGE. And it does not make any difference what the price of that cotton is—he has to sell it. That is right, is it not?

Mr. GREER. Yes, sir.

Mr. POAGE. And if you let cotton go to 15 cents he still has to sell it and he will sell it. Now I grant you, that over the years you can stop the expansion of cotton throughout the world—and I think there is a desirable objective—you could stop the expansion in these underdeveloped countries, but you cannot keep these people from growing cotton on the land they have in cultivation today and from selling the cotton that they are growing, no matter how low you drop the price.

Can you?

Mr. GREER. I am sure that it is not a desirable objective to try to run anybody out of the cotton business.

Mr. POAGE. Let us get this on the record. Do you think that you can lower the price of American cotton low enough to keep that man in the Sudan from selling his cotton?

Mr. GREER. I do not think that we would want to keep anyone——

Mr. POAGE. I did not ask you what you wanted to do—let us get this on the record, what you think would happen. Do you think that it is possible to lower the price of American cotton low enough to keep the man in the Sudan from selling his cotton?

Mr. GREER. No, sir.

Mr. POAGE. That seems to me to answer the whole question.

Mr. JONES of Missouri. Would you not agree, however, that it might have the effect of slowing down the production at that price?

Mr. POAGE. I just got through saying that I think that you can slow down the development of new cotton areas but you cannot keep these people who are now in the business of producing from selling their cotton, because that is the only way they have of getting a return on the investment that they have in the cotton. They have to sell. They do not have a Commodity Credit Corporation to hold it for them. They have to put it on the market.

Mr. GREER. I think, as a matter of fact, although I cannot speak with any certainty, that there is a board in the Sudan which has a function that might be described in some way similar to the operation of the Commodity Credit Corporation.

Mr. POAGE. Mr. Greer, you do not think that the Sudanese Government could finance any substantial amount of cotton, do you? I am talking about in the order of millions of bales?

Mr. GREER. Oh, no, sir. I am quite sure that they cannot. I am quite sure that they could not.

Mr. POAGE. In fact, that would be true of most of the underdeveloped countries, although Mexico might do it for awhile, but I doubt very much that Brazil could do it. But most of the underdeveloped countries cannot finance and hold their stock.

Mr. GREER. I should say this, sir, that this formerly would have been confidential information but it is not any more. And it is something which the chairman might wish to know. We were thinking about starting to plant some cotton in the Sudan ourselves, which was the occasion of my being there, because the company had become so worried about what these allotment restrictions are doing to us in California. You cannot pay taxes on 60,000 acres of land and only being able to grow cotton on 7,000 acres and have the specter of these increased cuts time after time. After awhile you fear that you will not be able to continue. And we went over there to look around. And when I say "we," I only went by myself. I was very cordially received by those people. I have never been better treated in my life. And I was looked up by the British cotton buyers while I was in Khartoum and was assured that if we would come over there and plant Acala 4-42, according to the San Joaquin method that they would take our entire crop. And they would have taken it on a contract basis and on a basis that at least on paper would have appeared to have been very profitable. The reason for this is that American technical know-how is so far ahead of the technical know-how in the rest of the world.

Mr. POAGE. I do not want to take too much time on this, but I do want to get another subject here. You did mention Acala 4-42.

Mr. VIGORITO. May I make a statement?

Mr. POAGE. Yes. I wanted to proceed with this examination, but if you want to make a statement relating to this, please go ahead.

Mr. VIGORITO. You mentioned in your statement that we need to separate the social problems from the economic problems.

Mr. GREER. No, that was the President who made that suggestion, sir.

Mr. VIGORITO. What is that?

Mr. GREER. That was the President who made that suggestion :

Just as we do in other segments of our economy, we need to separate the social problems of rural America from the economic problems of commercial agriculture.

That was President Johnson in his agricultural message of January 4 of this year.

Mr. VIGORITO. What I want to say is that the social economic and political problems in the United States are so interrelated that you cannot separate them and forget about the other two. You will have to take them all as a part of the whole.

Mr. GREER. Yes, sir. I am certain that that is true, although I have found myself in absolute agreement with the President on that statement.

Mr. POAGE. You mentioned Acala 4-42, Mr. Greer, and you pointed out, I think very correctly and very fairly, that Acala 4-42 enjoys a splendid premium market.

Mr. GREER. Yes.

Mr. POAGE. And that presently you can sell all that you can produce—you can sell it at a premium, too. You do sell it at a premium, do you not?

Mr. GREER. Yes, sir.

Mr. POAGE. And you do, as you point out, because in your words "the fiber is of such strength that it is used by the mills for blending with other cottons." And you make the point further in point 4 of your statement that, "since Acala 4-42 is used primarily for blending with other cottons, increases in production of Acala 4-42 would increase consumption of such other cottons."

Mr. GREER. Yes.

Mr. POAGE. I think that is obviously correct. If it is, there must be some point at which you would produce enough of Acala 4-42. Where do you think that point is?

Mr. GREER. Well, I do not think that we would reach that point, sir.

Mr. POAGE. Surely you recognize that you would not get a premium if you should reach it.

Mr. GREER. I think this—I do not think that we would ever reach that point, because I am told that we could not do more than double our production of Acala 4-42 in California. We have around 730,000 acres of land in cotton in California which is, roughly, 600,000 which is in Acala 4-42. There is some DPL in the Imperial Valley and in the Coachella Valley. And if we were permitted to grow all of the cotton that we wanted to, we could not do any better than roughly, doubling the acreage.

Mr. POAGE. To the extent that you can increase the amount of Acala 4-42, there must be a lessening demand therefore—there is a limit on the amount that you can move into consumption.

Mr. GREER. Yes, sir.

Mr. POAGE. If you were producing only for spinning 8 million bales of cotton, obviously, you could not use as much Acala 4-42 as if you were producing for spinning 12 million bales. I recognize that.

Mr. GREER. Yes, sir.

Mr. POAGE. But to double the amount of Acala 4-42 at the present prices you would have to double the consumption of other cottons, would you not?

Mr. GREER. It would depend, I suppose, sir, on how much was used for blending, and I could not say.

Mr. POAGE. I think that statement is accurate from all I know about it. You, yourself said that "the special value of Acala 4-42 is for blending."

Mr. GREER. Where they now blend 10 percent, they might begin to blend 20 percent.

Mr. POAGE. Would it be as valuable if you put in 20 percent? The value of it is that it adds value to a substantial amount of the other cotton. If you made a fabric with 100 percent Acala 4-42, it would have a greater value than if you made it out of half and half.

Mr. GREER. I would expect that the price of Acala 4-42 would drop, sir. That would be in accordance with the normal workings of economic law.

Mr. POAGE. That is right. And you would reach a point in which you would have a surplus of it.

Mr. GREER. I do not think so. We do not have enough land available to grow enough Acala 4-42 in order to have a surplus.

Mr. POAGE. I know that you do not. I understand that you do not have enough available under the present situation.

Mr. GREER. I mean under any situation, sir—I do not think that we could ever devote more than 1,500,000 acres of California land to the production of cotton.

Mr. POAGE. If you devote 1,500,000 acres of land, can you not sell all of your Acala 4-42? You could sell the whole crop without greatly discounting it in price—you could sell it in competition with Lone Star and get about the same price for it.

Mr. GREER. I am told that we cannot—you will appreciate that when I say that I am speaking as lawyer, not as an economist, but I have talked to the vice president in charge of the cotton buying of a large mill before I came up here, and I asked him that very question and he said that he would take all of the Acala 4-42 that he could get and that he would take it at a premium.

Mr. POAGE. Unquestionably, under resent circumstances, he will take all that he can get. He knows the amount that is available. He knows that Acala 4-42 is so much and he will take all that he can get. There are about 1 million bales, are there not, or a little more, are there not?

Mr. GREER. It would be, roughly, 1,200,000.

Mr. POAGE. 1,200,000 bales and he knows that the total amount of Acala 4-42 presently available is such and he would like to get as large a share of that as he can. If it was 2,500,000 bales that was available, then would he take all that he could get?

Mr. GREER. I think so, sir; because there is a limit to what we can do.

Mr. POAGE. I understand that there is a limit to what you can grow. There is, also, a limit to the blending process at a profit.

Mr. GREER. Well, sir, the American textile industry has been growing so rapidly that although there is a limit to what we can produce in terms of Acala 4-42, I would feel very hesitant to say that there is a limit to what can be used. We have a textile mill in my hometown. We have quite a few around about in Piedmont and southern Virginia. They have been growing at such a rate that I would feel that,

without being overly optimistic, they could take all of the Acala 4-42 cotton that could be grown in California if we could use every acre of land out there. And, of course, we must bear in mind, sir, that what makes the soil fertile is proper rotation. We could not, in my company, even though we have 60,000 acres of cropland—we would not want more than 16,000 acres of cotton. It would interfere too much with the crop rotation.

Mr. POAGE. If you want to take that position then I would assume that you would be willing to accept subsection 3(c) because it is obvious that when you speak of the growth of American textile industry that that growth has largely been in synthetics. There has been no growth in the American textile industry in cotton except this past year when there was an increase of something like 900,000 bales of cotton which was the result of the passage of the Cotton Act.

Mr. GREER. But that growth——

Mr. POAGE. There has been no growth in the American textile business in the United States on cotton previous to that. It is obvious that if you are contributing so heavily to the growth of the American textile industry you have been contributing to the growth of synthetics rather than the growth of cotton.

Mr. GREER. I hope not.

Mr. POAGE. It is a fact, though, is it not?

Mr. GREER. Well, sir, I think the best—and you will have to appreciate that the textile business is something that I know almost nothing about—but I would like to think, Mr. Chairman, that that growth in manmade fabric could have been a growth in the employment of cotton textiles. That is, if cotton had had a realistic pricing system.

Mr. POAGE. As a matter of fact, when you talk about the amount of growth of the American textile industry the normal growth has been in synthetics and not in the field of cotton, has it not? Let us get the record. Just answer the question first, and then make any explanation that you want to. I want on the record whether that growth has been in the field of synthetics or in the field of cotton.

Mr. GREER. That is what I have been given to understand.

Mr. POAGE. Will you answer the question and then explain it?

Mr. GREER. Let me say, Mr. Chairman, I do know that much about the textile industry.

Mr. POAGE. Then you say that you do not know?

Mr. GREER. I have been given to understand that the growth has been very largely in mademade fabrics to the point where the man-made fabrics have taken over 40-some percent of the American textile market.

Mr. POAGE. That is right.

Mr. GREER. But I do not know—I am not an expert in the field.

Mr. POAGE. You do not know what you are stating of your own knowledge then?

Mr. GREER. Well, sir, not where textiles are concerned. As a matter of——

Mr. POAGE. Is there anything in this statement that you know about?

Mr. GREER. Well, Mr. Chairman——

Mr. POAGE. Or is it all just hearsay?

Mr. GREER. Let us just say that it is a lawyer representing a cotton farmer.

Mr. POAGE. Then we are to take this statement as just hearsay?

Mr. GREER. Well, wherever I talk about Salyer Land Co., that I know of my own knowledge.

Mr. POAGE. Now may I ask about this—this is a very minor matter, but I am not familiar with it—you suggested that the Department of Agriculture had in some way allowed transfers in some four States, one of which was my State. I did not know about that. I recognize that my own State did get a substantial portion of it—I believe it was 10 percent.

Mr. GREER. Yes.

Mr. POAGE. They took 10 percent of our State allotments and assigned them for a reserve. Every State in the Union had the right to do that; that is correct?

Mr. BREER. Yes.

Mr. POAGE. And if in the State of Texas our State committee decided to use 10 percent for reserve, it took that 10 percent away from our Texas growers and not from anybody else's growers, did it not?

Mr. GREER. Yes, sir.

Mr. POAGE. And if the State committee of California had desired to do it, they could have done the same thing?

Mr. GREER. That is correct. And may I—

Mr. POAGE. The point that I am getting at is that this was not any favoritism on the part of the Department of Agriculture?

Mr. GREER. None whatever. Not the slightest. May I add to my answer?

Mr. POAGE. Certainly.

Mr. GREER. It is this, that in Texas, Mr. Chairman, your State committee and your farmers are in the very happy position of having a whole lot of allotment, not by any favoritism, but by historical circumstances. In California, cotton is so tight, it is measured to the one-hundredth of an acre. And the State committee, which I talked to on this subject, far from being able to take 10 percent—trying to allot an acre here and an acre there, just figured that the situation was so tight that in spite of section 1344, title VII of the United States Code, which gave it the discretion—and I think the State committee was absolutely right—they did not have any surplus cotton—they did not have any areas where cotton was not being fully utilized and they were not able to set up a State reserve—they could have done so, but the cotton was just not there.

Mr. POAGE. The fact is that we do have in the State of Texas areas where people are going out of cotton, we have other areas where they plant all the cotton they can get just like they do in California, such as in the Upper Rio Grande Valley and the Pecos Valley and on the high plains—we have about the same situation that you do in the way of planting cotton. We are growing a tremendous amount of cotton there. The State of Texas has about 40 percent—about 4 bales out of 10 in the United States are produced in the State of Texas.

Mr. GREER. And very good cotton, I understand.

Mr. POAGE. We have poor cotton, too, unfortunately; I must say. We do not have a uniform cotton. We have some of the best and we have some of the worst in the United States, but when the State com-

mittee sets aside that 10 percent; that is, when they did, they had to take it from those areas that were growing cotton just the same as your mittee sets aside that 10 percent; that is, when they did, they had to take it from the man in the Rio Grande just the same as they took it from the man in some other county.

Mr. GREER. That is absolutely correct.

Mr. POAGE. The committee did not just simply go out and take cotton acreage from the poor farms, from those people who wanted to quit the cotton—they took it away from everybody.

Mr. HAGEN of California. Who did they give it back to?

Mr. POAGE. I think that pretty substantially they gave back to the same people that they took it away from, to tell you the truth.

Mr. HAGEN of California. And they increased the acreages of some.

Mr. POAGE. Yes; they increased the acreage of some and, of course, decreased the acreage of others. They took enough so that they were able to take care of the hardship cases. After they did that, they put back the remainder. The same ones that they took it away from got what was left. They did not give as much back to them as they took away from them, but they took enough so that they could take care of these hardship cases.

Mr. HAGEN of California. The cotton law provides for trend calculating intrastate.

Mr. POAGE. We have no trend calculations.

Mr. GREER. There is a trend column set up in the Federal regulations, Mr. Chairman.

Mr. POAGE. You have the right to reserve for trends.

Mr. GREER. Yes, sir.

Mr. POAGE. All I am saying is that so far as I know the Texas State committee did not assign any cotton on the basis of trends. We did assign it on the basis of hardship cases and for new growers. We did give some of that cotton, on the High Plains. They did get some cotton on the basis of being new growers, but that cotton had to come from somebody else. That is the point I am making.

There is one other thing which is rather "nit picking," but you raised the question of skip rowing about which this committee has some rather tense feelings, I think, both ways. You made the categorical statement that skip rowing is uneconomical. You said that we admit that. I want to enter a disclaimer. I do not admit that. Who made that admission?

Mr. GREER. Let us say that I admit it.

Mr. POAGE. You admit it?

Mr. GREER. Yes.

Mr. POAGE. Let us say then that you do not speak for the people who are interested in skip rowing in the dry lands where it is a method of using water just like your irrigation is using water that it did not have where you planted the cotton. We think that we are just as much entitled to move water a few inches as you are to move it a 100 miles or more.

Mr. GREER. I am quite sure that you are, Mr. Congressman. What I meant by it being uneconomic is that you use an acre and a half of valuable land to plant an acre of cotton and that is, certainly, an unnatural situation.

Mr. POAGE. I do not think that it is an uneconomic situation. Our people do not find it so. I do not believe that the people who are as intelligent and successful as your clients are would have gone to it if they had felt that it was uneconomic.

Mr. GREER. Well, let us put it this way: It will, certainly, be uneconomic if these proposed regulations——

Mr. POAGE. What is that?

Mr. GREER. If these proposed regulations become law.

Mr. POAGE. I just want to make sure that we do not agree that skip rowing is uneconomic. I do not believe that your clients think that it is uneconomic. I think that they would agree with the Under Secretary of Agriculture who sat here and said that it was an economic practice and that it did produce better cotton and that it did increase the profits of the cottongrower—all of the things that we do want to achieve. And he sat right there and told us that it did.

Mr. GREER. In the short run, Mr. Chairman, yes—it is a short run expedient by which one attempts to live with an inadequate allotment, but now ideally you ought to plant all of the cottonland you have to solid plants.

Mr. POAGE. I agree. You are speaking probably reflecting the position of your clients, but skip rowing was an established process long before we had any cotton laws. In the 1920's we did not have any cotton laws. In the 1920's we used it all over the rolling plains of Texas, because the good Lord did not send us enough rain. We do not have any irrigation such as your clients have. We used it not to evade any kind of limitations, because there were none. We used it to get water, just like you build dams and dam up streams and pump the water and move it to get water onto the cotton. We need it to get the water. And we still need it to get water. And we think that we have the same God given right to use that water any way that we see fit, as you have to move your water from the Oregon border or from the Colorado River. We are not kicking about your moving it, but we are suggesting that when we try to use the process and to use some of the water that falls on the land in our own neighborhood, that we ought to be allowed to do that. I suggest that instead of legislating out skip rowing and suggesting that it is an uneconomic process, that you let those of us who find it to be an economic process to engage in it, else you may find the Government prescribing the width of your rows, even though the width of a cotton row is probably 40 inches—do you have that in San Joaquin?

Mr. GREER. Yes, sir.

Mr. POAGE. I presume that they are, probably, 40-inch rows. Suppose that the Government was to demand that you plant 24-inch rows? There are many people who say that you can grow more on 24-inch rows than you can on a 40-inch row. But in my part of the country you do not do it. But, probably, you have plenty of water and, probably, you could do that. If you are suggesting that the Government should prescribe the practices for planting cotton and should determine just how wide you have to have the rows, then I think that we are perfectly in order to suggest that the Government should prescribe whether or not we can engage in skip rowing.

Mr. GREER. Mr. Congressman, that is the furthest thing from what I would suggest. I would suggest that the farmer be allowed to farm

as his good judgment or his bad judgment, in the individual case, dictates.

Mr. POAGE. We think so, too. We think that is exactly what should be allowed and we think that those who want to tell us that we cannot follow this practice because they do not think it is good should follow whatever they want on their farm, and if they want to plant cotton broadcast, I have no objection—I have not the slightest objection—it has been done—there are farmers who have done it—but now if the Government is going to prevent us from skip rowing, why should not the Government prohibit you from broadcasting cotton?

Mr. GREER. Mr. Chairman, in that, as I am sure in many other instances, you and I are in complete agreement.

Mr. POAGE. Except that I take it that you pretty well damn the skip row program with faint praise as an awful thing.

Mr. GREER. No, sir; on the contrary. What I think we object to is the notion of tying skip rowing into the allotment. If we could plant all of the cotton that we wanted to plant and decided to skip row a part of it and solid plant some of it, we think that is what we should be permitted to do.

Mr. POAGE. Then, surely, if you take that view, then the Government should prohibit the narrowing of the rows.

Mr. GREER. I do not think that——

Mr. POAGE. You can put more cotton plants on an acre of land if you put it in 24-inch rows than in 40-inch rows, of course?

Mr. GREER. I have a feeling that the Government should not interest itself in how we plant cotton at all.

Mr. POAGE. I agree with you that it should not. I agree with that thoroughly. I would suggest that the Government should not concern itself with whether we plant 2 rows parallel and a mile long or whether we plant 18 rows parallel a hundred yards long.

Mr. GREER. I could not agree more.

Mr. POAGE. That is skip rowing. When we plant two rows parallel we think that we should be charged with whatever acreage those two rows count up to.

Mr. GREER. When I said that skip rowing is uneconomic, that is, when we view it as uneconomic, I am talking about our peculiar local situation, Mr. Chairman.

Mr. POAGE. And your company ought to quit it——

Mr. GREER. Well——

Mr. POAGE (continuing). They ought to quit if they do not like it.

Mr. GREER. I am afraid that they will have to.

Mr. POAGE. Perhaps.

Mr. GREER. Thank you, sir.

Mr. POAGE. Mr. Gathings.

Mr. GATHINGS. Mr. Greer, if I were your employer, the Salyer Land Co., which is a substantial company, or if I were a sizable stockholder in that company, I would give you an excellent rating on your presentation here this morning and I would increase your retainer.

Mr. GREER. Thank you very much.

Mr. GATHINGS. You have emphasized those things that mean so much to your company. Tell us about the Salyer Land Co.—how it was organized and how it was formed.

Mr. GREER. Sir, it is a family farm. It was formed by E. C. Salyer, who leased 160 acres land right after World War I. It has grown through his efforts and industry and that of his two sons to its present size. His two sons are Everette and Fred Salyer. The personnel of that firm, I should say, doesn't like to break the Sabbath, but they work 7 days a week.

Mr. GATHINGS. That is the American system.

Mr. GREER. Yes, sir.

Mr. GATHINGS. That is the system that we should perpetuate in this country.

Mr. GREER. Yes, sir.

Mr. GATHINGS. Let me ask you what else do you grow on that farm?

Mr. GREER. Barley and cotton are the two principal crops. In the last 5 years safflower has been the third crop. It is cotton, barley, and safflower which are the principal crops. And the company, like most businessmen, has known vicissitudes. They farm principally in Tulare Lake. And some year Tulare Lake fills to the brim and you cannot farm at all. The levees will break. My good friend, Congressman Hagen, can remember, I am quite sure when in 1937 to 1947 Tulare Lake filled up almost to the brim except for one levee, and nobody was able to make anything at all in Tulare Lake. They had to lease their land outside of it. It is a hazardous business. The farming business is a hazardous business.

Mr. GATHINGS. I recall that some years ago in a Democratic caucus a man arose from the State of California and told our group that there was not a single identical man on the House Committee on Ways and Means from the Mississippi River to the Pacific Ocean.

I recognized you are farming in an area that is comparatively new and which is not only thriving in agriculture but in industry.

Our system works in this county. You have brought us your views, and that is a good thing. Our system works.

We have representatives on this committee from the great State of California. We have been talking back to those fellows particularly in the past several years, because we believe that we have lost cotton acreage, not only to California, but to Arizona and to New Mexico. So we have tried to maintain our allotments at the State level consistently. We have had folks on this committee who urged that the State allotments be based on a 3-year system of planting as against the 5-year plan which has been in the law over the years.

Mr. GREER. Yes, sir.

Mr. GATHINGS. What percent are you recommending to the committee that should be taken out of the overall cotton allotment for movement across State lines?

Mr. GREER. Well, sir; I would not recommend any percentage. I would not presume to set a figure. Let the marketplace and the law of supply and demand determine that. A man's cotton allotment in one area might be worth a great deal to him and his allotment in another area might be worth relatively little to him. It might be that the committee would desire to have it a certain percentage. I cannot see any wholesale flight of American cotton to California, because, as I say, sir; we cannot do any more than double the acreage that we have. If you gentlemen were to say to us, "You Californians can have

all of the cotton that you want," we could not take more than another 750,000 acres.

Mr. GATHINGS. That would give you almost double what you have now?

Mr. GREER. Yes; that would double it. We could double our cotton production in terms of acreage. I have been given to understand that is all that we could do.

Mr. STALBAUM. Will you yield?

Mr. GATHINGS. I yield to the gentleman.

Mr. STALBAUM. Just one question. Do I understand that you favor no reduction under the national cotton allotment?

Mr. GREER. I would think it a step backward.

Mr. STALBAUM. You do?

Mr. GREER. Yes, sir.

Mr. STALBAUM. Thank you.

Mr. GATHINGS. I yield to Mr. Teague.

Mr. TEAGUE of California. You have represented your clients very well here today. I am sure that you have not overlooked the fact that Mr. Hagen is a very much respected and able member of this committee.

Mr. GREER. Both here and in his district in California, sir.

Mr. TEAGUE of California. So I assume that your views on cotton have been made familiar to him?

Mr. GREER. Yes, sir.

Mr. TEAGUE of California. Thank you.

Mr. POAGE. Mr. Hagen.

Mr. HAGEN of California. Just for the record, what State are you from?

Mr. GREER. From Virginia.

As a matter of fact, I think that we would be hard put to find a cotton farmer in California who is not from the South. Offhand, I cannot think of one.

Mr. HAGEN of California. I wish to commend you on your presentation of your case for California cotton. It is one of the varieties that is in short supply. And this proposed Cooley cotton legislation would work an inequity on it by requiring reductions in our acreage which is already too low.

I want to establish something else in the record. Mr. Salyer is not a typical California cotton grower. He is much larger than the average. A University of California study made about 5 years ago showed the average cotton farm in California to consist of 40 acres. In addition, about 42 percent of the allotments in California are 15 acres or less.

During the last free year of cotton production there was a production in California of somewhat over 1 million acres. I do not know the exact figure, but it was a reduction in acreage of about 50,000 from the previous free years. So I would question the feasibility of doubling the acreage in California, because in the last free production year there was an actual reduction of acreage in California.

Mr. GREER. Your point is well taken. The point I was trying to make is that we could not do more than just to double it. One million to two would be the absolute maximum.

Mr. HAGEN of California. That would be about correct. And since then there has been much land that has gone into fruits and vines and other permanent crops. And you got that reduction.

As I understand it, what you have in cotton has been the result of scientific planting and the application of industry on the part of our farmers. We have had most intensive application of mechanization and use of machinery to reduce costs. And in large measure the success of California cotton which has been a long, hard struggle, is attributable to the joint interest of the farmers and the Government.

And there have been efforts to improve the variety. We now command a premium with this variety.

On this matter of skip-row planting, I think you are correct. In most instances it is uneconomic. I suspect that there are many other practices, not only in cotton farming, but in other farming, which are uneconomic except in the context of rigid quotas. And if we are going to reduce the cost of producing these products, and to reduce the cost to the consumer, we have to get some alternative to replace these practices, otherwise we are going to revert to peasantry in agriculture, such as happened in Germany and in France and in some of these countries which created a requirement for high government costs, and so forth, at great cost to the taxpayers. And if we do, the situation in cotton might be such that we may well not have any cotton program. I am not convinced that we should have one unless something long range is achieved. It might be a good idea to abandon the cotton program in 2 or 3 years and shake out some of these inequities that exist. I think that we would have a dilemma in California, but we, probably, would survive, because we do have the maximum application of knowledge and science and capital in California in these farms.

Again, I want to commend you for presenting a good example of an inequity which in the case of the Salyer Land Co., because of its size, might not be thought so much of, but we have literally thousands of farmers in California with 40 acres of allotments or less.

Mr. GREER. It applies to all men.

Mr. HAGEN of California. And they are the small farmers who are most adversely affected by the inequities of the cotton law.

Mr. GREER. And the smaller they are the more harshly they will be affected.

Mr. HAGEN of California. And it has occurred to me in the course of these hearings that the Government should be devoting more time to attempting to create a program that would have wide acceptance with the industry. It would appear to me that the only limit on these synthetics is that they do not have the production capacity to meet their demand. And the only way that you are going to pull down the growth of the synthetics, both here and abroad, is to increase the use of cotton and by creating a better product. There is a lot of waste in a bale of cotton. A lot of it is totally unusable. I would hope that the Federal Government would devote as much time to that aspect of cotton as they seem to do to other things in an attempt to increase cotton consumption.

Mr. GREER. I find myself in wholehearted agreement with those sentiments, Mr. Hagen.

Mr. POAGE. Thank you, Mr. Hagen. Mr. Callan.

Mr. CALLAN. Mr. Greer, I think that this committee and your company and all commercial agriculture faces the problem of a decision and, that is, that there has been some talk that we have too many farmers, and you have indicated that this idea of family agriculture might be obsolete at this time.

Mr. GREER. Or, at least, obsolescent.

Mr. CALLAN. There was some talk that we could cut out 2,500,000 farmers and bring it down to a minimum. The fact that you would bring the total number down to 1 million would mean, however, that the land is still out there, and the land is going to have to produce something if it is to be worth anything. That is right, is it not?

Mr. GREER. Yes, sir.

Mr. CALLAN. The problem, I think, that faces commercial agriculture is the fact that their costs are based on what they have to buy. And that covers the equipment and fertilizers in their costs. And in this economy the way industry is set up in this country, it is quite a coincidence, for example, that a John Deere and an International tractor, manufactured by two of the major manufacturers of farm equipment, sell comparable tractors for practically the same price. I know that when the International Harvester Co. gets too many tractors built, they quit producing. I have yet to see them lower the price on the tractor. And regardless of the fact whether it is 2½ million farmers or 1 million farmers out there, they have still to face this situation.

Let us take another example, which is a big cost. And that is, fertilizer. I am sure that is a big cost to your farmers.

I live out in the Midwest. I can ship anhydrous ammonia from Morgantown, W. Va., or I can bring it in from Omaha, Nebr., which is 100 miles away, and lay it in at exactly the same price. And there is no surplus, that I can see, of anhydrous ammonia. And when Phillips Petroleum or Olin Mathiesen get too much ammonia on hand they quit manufacturing it, but they maintain the price and, therefore, the profit.

And the shipping costs are equalized. And ammonia from various manufacturers lays in at the same price within a few dollars.

So whether you have 2,500,000 farmers or 1 million farmers, we have got to produce on this land in order to make a profit. Do you think that 1 million farmers are going to be able to control production so that they can keep the supply and demand in balance, so that they will get a reasonable price for their product, better than 2,500,000 farmers could. In other words, what is going to have to happen here if we are going to really compete the way that industry operates and competes and is successful? It is that you are going to have to control the supply somehow. Is this not right?

Mr. GREER. Yes, but I think this, sir, that you have the experience of the preceding years to determine the extent of the price.

Mr. CALLAN. Well, this is true. What I am asking is, Can 1 million farmers, where you have 1 million producers on the one hand, as against six or eight producers of these other commodities on the other hand, be able to get together and control this production?

Mr. GREER. If they got together in an agreement they would be violating the law.

Mr. CALLAN. What I am asking is, we shake this thing all down and wind up with 1 million farmers, but we are still in the same position, with the same problems that we have today due to the fact that there are too many individual producers who cannot control enough of this market. If we could get it down to 500 or a thousand, something like that, we might be able to do it, but I am just wondering if you think you can shake it down to 1 million farmers and thereby do it.

Mr. GREER. I am interested in your use of the equipment manufacturers example.

I would not think that this Government ought ever to try to adopt a policy of driving anybody out of farming. I think that the farmers are leaving the farms faster than we can keep them there. That is from my own experience in my small law practice with clients with small farms in Virginia over some 15 years. They may still be living on the farm, but they are not farming it. They all have jobs in industry.

And the process by which the number of American farm families is being reduced is one, I think, that is being determined by factors that I do know anything about.

Women tend to like to live in towns, rather than to live on a farm. I do not know whether you are a married man or not, I am. And on the basis of 22 years of married life it has been my experience that when a woman has made a decision, that decision is the one that the family tends to follow. I think that has much to do with the mobility of the American farm family into the towns where the amenities, she thinks, are greater. And that then the economic opportunities are greater.

These American farmers determine for themselves that they are not going to remain on the farms.

The law of supply and demand will determine the prices at which they sell their commodities.

Mr. CALLAN. I agree with you that the law of supply and demand is going to determine the price; but what I am saying is how far this thing has to come down the line before you have the bottom drop out of the market, and your company and some of the larger corporations and manufacturers will still be left—but will you not be coming in here and saying, “We have to have some help, because the bottom has gone out from our market; we have been producing, and we are right back where we were.” And all in the world that you have done is to reduce the number of people on the farms.

Mr. GREER. Absent a major depression, such as in 1929 and 1930 and 1931 and 1932—absent a depression the situation ought to stabilize itself. If I come back here asking you gentleman for help, you certainly will be at perfect liberty to quote my previous language.

Mr. CALLAN. Would you not say that just because of the fact that the people are on the land not farming, that it will not necessarily reduce the supply of cotton and corn and wheat?

Mr. GREER. I think this, I think there are some States which I will not name where around 80 percent of the cotton is grown for the loan—it is grown to be sold to the Government. When we get to the point where cotton can stand on its own feet, and people will plant it to be sold in private channels and not otherwise, then it will be profitable for all.

Mr. CALLAN. What is the land worth out there?

Mr. GREER. I do not know.

Mr. CALLAN. \$500 an acre?

Mr. GREER. I think that that would be on the high side.

Mr. CALLAN. What do you think it will be worth if cotton gets down to 15 cents and barley gets down, too?

Mr. GREER. A great deal less.

Mr. CALLAN. This is going to happen all over the United States if you drop the bottom out of agriculture.

Mr. GREER. If you dropped the bottom out of the agricultural commodities, the value of the land will, certainly, go down.

Mr. CALLAN. Do you think that the bottom is going to drop out if we do not have Government programs of this kind where we have 50 million tons of feed grain and 14 million bales of cotton?

Mr. GREER. Sir, if you were to dump these 14 million bales on the market, the effect would be catastrophic. I am assuming that something sensible would be done about gradually disposing of those surplus Government stocks.

Mr. CALLAN. This is our problem. This is the problem that this committee has to work out some kind of a program to do this and at the same time to maintain cotton prices and at the same time give the farmer a margin so that he can operate with it and at the same time permit the textile mills to make money. This is the problem we have.

Mr. GREER. I am optimistic about the future of this country, sir. I think that the demand for fibers is going to increase. I think that the American mills are going to be able to take on the private market all of the good fiber that the American cotton farmer can produce.

Mr. POAGE. Is there anyone in the room who wants to testify on this cotton program? We want to give everybody an opportunity. I might just as well interject this at this point. Chairman Cooley had hoped to be present this morning up until the last minute. I talked to him late yesterday afternoon. He went to New York last night to appear and speak at an affair and he has to be there again tonight—he has another meeting there tonight—and only at the last minute did he make up his mind that he was not going to make the round trip back here and he asked that we proceed in his absence, but he did ask not only that we hear Mr. Greer this morning, but that we hear any other witnesses who wanted to be heard on the cotton program. If there are none here this morning, we will hear on Monday certain witnesses who are presently scheduled for Monday. It is the chairman's hope that at that time we will be able to close the appearance of public witnesses on the cotton program on Monday. So if anyone wants to be heard, they must make arrangements to be heard now.

Mr. Hagen.

Mr. HAGEN of California. I would like to make a comment on Mr. Callan's observations. There is little likelihood that much of this land will be farmed by good farmers, because most of this land is marginal land. And a good farmer who exercises good business judgment will not farm it, merely surviving on the soil. For example, the best illustration I can point out is that within the last full year of cotton production in California there was a voluntary reduction in acreage because some of the land was marginally productive.

Mr. Greer, your company is a family corporation, by the way, perhaps for the purpose of continuance and for tax purposes it is a family corporation. You produced this extra 5 percent for export sale, is that correct?

Mr. GREER. Yes, sir.

Mr. HAGEN of California. Did you sell it?

Mr. GREER. Yes, sir; we sold it.

Mr. HAGEN of California. Was it a cash sale?

Mr. GREER. We had a problem on that.

Mr. HAGEN of California. What price did it bring?

Mr. GREER. The price was 20.5 cents per pound. Everybody and his brother who was a potential buyer waited until the last day, knowing that we had to sell it by the last day, and then we had to sell it. We came back here and told Mr. Godfrey about that problem, and they very kindly secured the issuance of new regulations that would give——

Mr. HAGEN of California. I understand that. What I was trying to establish is this, there is a demand abroad for Acala 4-42 cotton in Japan and India?

Mr. GREER. Yes.

Mr. HAGEN of California. What has been the going price, if you know, for this cotton abroad?

Mr. GREER. Mr. Congressman, I ought to be able to answer that, but I cannot—I do not know.

Mr. HAGEN of California. Has it been above 24 cents?

Mr. GREER. I am quite sure that it has. I can get that figure for you today, but I do not know now. I do know that we had to sell underneath the going price, because the foreign buyers just waited for the second time limit to run out, knowing that we were a seller who had to sell, and we had to sell at a discount before the going price—below the going world price.

Mr. HAGEN of California. Just to establish this for the record, I understand that despite the fact that it costs more per acre you do handpick and that you have customers for handpicked cotton?

Mr. GREER. We handpick a little cotton—probably not more than 5 percent. I would say 95 percent is machine picked.

Mr. HAGEN of California. Do you produce any feed grains?

Mr. GREER. Yes.

Mr. HAGEN of California. Did you retire land from feed grain production?

Mr. GREER. Yes.

Mr. HAGEN of California. Did you make any claim for the retired feed grain acreage that went into skip-rowing?

Mr. GREER. I do not think so. I may be wrong, Mr. Congressman; I do not think that is permissible.

Mr. HAGEN of California. I understand that it is happening in quite a few places, that some of these skip-row planters got paid for retiring feed grain acreage.

Mr. GREER. No, that land technically is cotton land.

Mr. HAGEN of California. I understand that in skip-rowing on a 4 by 4 pattern, that is, skip 4 rows and plant 4 rows of cotton, there has been some land in areas outside of California, claimed as retired feed grain acres.

Mr. GREER. Our diverted acres under the feed grain program would be separate and distinct from the cotton land. And the 11½ acres in skip-row cotton is all in cotton, nothing could be diverted.

Mr. HAGEN of California. Certainly, if there is justification for skip-rowing, there is no justification for paying a farmer under another program for having retired acres.

Mr. GREER. I would think that would be most unfortunate to do from the standpoint on the program. I would not want to comment, but I believe that is illegal. I do not want to comment on the regulations.

Mr. HAGEN of California. According to Mr. Jones, I believe, and others, there have been payments made on that basis.

Mr. GREER. Some farmers, Mr. Congressman, are not lawyers. I am sure that any such instances have been inadvertent, but I do not think that it is permissible under the program. I might say, sir, that we have gone into the feed grain program with considerable reluctance, because we feel like it is really contrary to the tradition of the American farmer. We are getting money for doing these conserving uses which we ought in good faith and good conscience to do for ourselves as farmers.

I had a long and vigorous discussion with the president of the company about it, and he pointed out to me that the restrictions in our cotton allotments were such and the land taxation was such and the cost of water is now so high—you are familiar with what the cost of water is—and that the cost of drilling a well is now so great, that we find ourselves in financial difficulties if we did not go into the feed grain program because of the restrictions on land utilization.

I know I can say this, that if we could grow all of the cotton that we wanted to we would get out of the feed grain program very quickly.

Mr. HAGEN of California. Thank you.

Mr. POAGE. Mr. Jones.

Mr. JONES of Missouri. I would like to ask a hypothetical question just to see what the direction will be. Suppose that the Congress should reduce the National acreage allotment, just say cut it one-half from 16 million acres to 8 million acres, and then would give the farmer the privilege of either accepting his allotment on that basis and have the support price, or permit those farmers who did not elect to take the allotment to exercise the privilege of growing all of the cotton that they wanted to grow without any support price—how much cotton do you think that your company would, probably, grow under those conditions?

Mr. GREER. We would double our planted acres next year.

Mr. JONES of Missouri. In other words, you would be willing to double your acres without any benefit of price supports or the loan rate or anything like that?

Mr. GREER. Yes, sir. I say we would double—we would, probably, go to 15,000 acres next year.

Mr. GATHINGS. Let me ask this right there. I believe you said that some 5 percent or around 5 percent of the cotton you produce was handpicked?

Mr. GREER. Yes, sir.

Mr. GATHINGS. How much do you pay for picking?

Mr. GREER. Last year the company paid \$3.41 to the labor contractor per hundred pounds of cotton picked and he paid \$3 per hundred to the pickers who averaged about \$12 per day on this basis.

Mr. GATHINGS. Do you have any trouble in getting pickers?

Mr. GREER. Well, sir, I do not think so. I think that the handpicking that we do now is more to take care of the handpickers who have worked for the company for years and whom we want to continue taking care of. I think that if none of the handpickers showed up some day that we would simply machine pick all of the cotton. There are some folks there in Corcoran who have been picking cotton for us, maybe, for 10 or 15 or 20 years, and they want to continue doing it, and so we hire them.

Mr. GATHINGS. Mr. Greer, how many people do you employ in your operation?

Mr. GREER. About 180 people.

Mr. GATHINGS. 180?

Mr. GREER. Yes.

Mr. GATHINGS. Do you have housing available for many of your 180 people?

Mr. GREER. There is an area which, I think, is utilized only to a minor extent. The era of the migratory worker in my part of the San Joaquin Valley is almost over. I would say that our people stay with us year in and year out and year after year.

Mr. GATHINGS. And they, apparently, must be happy or they would move.

Mr. GREER. I think that we have a very, very small turnover, sir. I am told that we have one of the smallest turnovers in California.

Mr. GATHINGS. This operation could be described as more or less an aggregation of several farms, is that about right?

Mr. GREER. Yes, sir. As a matter of fact, that is the way that the Secretary described it, that it is a combination of farms within the meaning of part 719 of title VII of the Code of Federal Regulations. Whenever we buy a farm it goes into the combination.

Mr. GATHINGS. I happen to represent a district in which we have all sizes of farms. There is nothing evil about a large operation at all. R. E. Lee Wilson acquired a small piece of land originally and increased his holdings by hard work. He built the town which bears his name—Wilson, Ark. At one time he was considered the largest cotton grower in the world.

Mr. GREER. Mr. Frank Wilson, his son, was a classmate of mine at the University of Virginia, sir. Bobby Lee Wilson's brother, who is dead now.

Mr. GATHINGS. I did not know him.

Mr. GREER. I ought to say, that so far as size is concerned, that I recommend against it. The trials and tribulations that come with looking after a farm that gets up to any size are to be taken on only by somebody who is willing to work 365 days a year.

Mr. GATHINGS. I believe you stated that the founder of this company had two sons and that they worked 7 days a week?

Mr. GREER. That is correct, sir.

Mr. GATHINGS. Thank you.

Mr. POAGE. Mr. Olson.

Mr. OLSON. Did I understand you correctly earlier when you said that you believe we can expect to maintain our lead in technology in the future?

Mr. GREER. Yes, sir. From what little I have seen overseas of cotton technology in the Sudan and I do not mean to be in any way critical of those wonderful people, because I have never been so hospitably treated as they treated me, but I do say that they waited until the land was wet, first of all and worked it while it was wet. A man walks in front with a pointed stick and makes a hole in the ground, and his wife puts in a cotton seed and covers it up with her foot.

It is going to take more than a generation for them to catch up with American cotton technology.

Mr. OLSON. Do you think that we can reasonably expect to maintain our lead in technology, especially considering what you just said? We have developed the technology. Now it is only a matter for underdeveloped nations to employ it. What gave us our lead is the fact that 90 percent of all of the scientists who have ever lived are alive today. There has been an explosion in knowledge and I hope we don't intend to keep that knowledge from spreading or being applied. I am not saying now that we are not going to make advances, but what I am saying is that I believe it is going to be difficult if not impossible to maintain our lead.

Can you dispute the fact that as long as it is just a matter of their getting access to our ways of production they will be able to apply it to increase their yields unless precluded by economic problems?

Mr. GREER. I am certain that there is merit in what you say. The only thing that I can say as a lawyer, that I noticed that the equipment that I looked at, and that I do not understand it. It appears to change every 2 or 3 years. They are constantly working on it—constantly improving it—constantly refining it.

Mr. HAGEN of California. Will you yield?

Mr. OLSON. Yes.

Mr. HAGEN of California. Progress is a state of constant change. They might arrive at the point where we are today, but by that time our technology would have advanced further in application. Adopting technology is more difficult than inventing or borrowing it.

Mr. OLSON. It seems logical to me that dramatic steps forward in utilizing the presently available knowledge for increasing production is more likely in the development of machines. Then our increase in production would not be as dramatic, because over there you might double your yield per acre.

Mr. GREER. Yes. I would expect them to triple. They are getting about one-half a bale to the acre in the Sudan. There is no reason at all why they should not be getting two bales per acre.

Mr. OLSON. That is the question. There is no reason why they should not, because we presently know how they could do it. My point is that unless we can preclude them from finding out how to raise that other bale and a half, they will soon be able to do it. Thank you.

Mr. POAGE. Mr. Greigg.

Mr. GREIGG. How many acres do you have in the feed grain program?

Mr. GREER. Our feed grain base is 29,353 acres, of which we are diverting 40 percent this year. The acreage in the feed grain program would thus be approximately 11,741.2 acres.

Mr. GREIGG. Getting back to the discussion that you had with Mr. Hagen, why are you in the feed-grain program—will you state that again?

Mr. GREER. The feeling of the management of the company is that it is necessary, in view of the fact that we cannot grow any more cotton.

Mr. HAGEN of California. I think that I can answer that. They have more land than they have adequate water supply. Since California barley matures before water is needed for cotton, they grow barley in advance of cotton and get year-round use of their wells, pumping equipment, and so forth.

Mr. GREER. Yes, sir.

Mr. HAGEN of California. The barley crop is harvested before the cotton crop comes along, is that not correct?

Mr. GREER. Yes.

Mr. GREIGG. I did not hear all of your testimony—I came in a little late. How would you react to a cotton program structured along the same lines as the feed grain program?

Mr. GREER. A voluntary program in which the producer could elect to be in the program or not; and if he chose to be in the program he would receive payments, I take it, for diverting his acres out of cotton; if he chose not to be, there would be no acreage limitations. Is that substantially it? Sir, I would welcome it with open arms. And in saying that I would welcome it with open arms I mean by that to say that we would not go into that program ourselves and we would speedily leave the feed-grain program. We would go into cotton.

Mr. GREIGG. I want to say for the record that in the feed-grain program there has been a tremendous reduction in surpluses which in my evaluation has been one of its best features. I am of the opinion that a similar program be structured to reduce cotton surpluses and aid the cotton farmer to improve income.

Mr. HAGEN of California. As I understand it, in Australia and New Zealand, they have a 40-cent-a-pound price guarantee for cotton.

Mr. GREER. There is a bounty in Australia. I think it is 9 cents a pound, because the Australian Government has been trying to build up its local cotton production to take care of its local mills. These figures are a year or so old. I think that Australia has a consumption of about 90,000 bales. I do not know whether that will endure.

Mr. HAGEN of California. Do you know what the price at the mills is for Australian cotton?

Mr. GREER. No, I do not.

Mr. HAGEN of California. If we assume that it is 40 cents a pound how do they manage to get the mills to buy that cotton at that price, when some other cotton is available at a lower price?

Mr. GREER. I do not know.

Mr. HAGEN of California. I do not know, either. Maybe the chairman knows something about that.

Mr. POAGE. I do not know of any 40-cent cotton in Australia. I am not saying that it is not there, but I have never heard of it.

Mr. HAGEN of California. We have had several farmers leave our area to go over there.

Mr. POAGE. They may have it. I did not understand that they do have that.

Mr. HAGEN of California. I have heard that figure somewhere. I wondered if you knew about it.

Mr. POAGE. No. If there are no further witnesses, Mr. Greer, I want to thank you for your appearance. I want the record to show that I think that you have made a splendid appearance and have done a good job and have well represented your clients and that you have been helpful to the committee. I questioned you rather severely, intending to bring out the facts of the various contending claims that have come before us.

Mr. GREER. I understand.

Mr. POAGE. And have not done it just to expose you to cross-examination.

Mr. GREER. I have enjoyed it very much.

Mr. POAGE. I want to say this off the record.

(Discussion off the record.)

Mr. POAGE. The committee will stand in recess until Monday morning at 10 o'clock, at which time we will close the cotton hearings.

(Whereupon, at 11:55 a.m. a recess was taken until Monday, June 14, 1965, at 10 a.m.)

COTTON

MONDAY, JUNE 14, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to notice, at 11 a.m. in room 1310, Longworth House Office Building. Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley (chairman), Poage, Gathings, Abernethy, Jones, Hagen, Stubblefield, Purcell, Olson, O'Neal, Stalbaum, de la Garza, Vigorito, Redlin, Bandstra, Greigg, Callan, Belcher, Teague, and Dole.

Also present: Mrs. Christine S. Gallagher, clerk; and John J. Heimburger, general counsel.

The CHAIRMAN. The committee will be in order.

The first witness is Mr. C. B. Ray of the El Paso Valley Cotton Association.

Mr. Ray, will you identify those associated with you this morning.

STATEMENT OF C. B. RAY, CHAIRMAN, COTTON PRODUCERS LEGISLATIVE COMMITTEE, ALSO REPRESENTING EL PASO VALLEY COTTON ASSOCIATION; ACCOMPANIED BY NICK ROSE, AGRICULTURAL COUNCIL OF ARKANSAS; J. CLYDE WILSON, ARIZONA COTTON GROWERS ASSOCIATION; JACK HAMILTON, DELTA COUNCIL OF LOUISIANA; B. F. SMITH AND C. R. SAYRE, DELTA COUNCIL OF MISSISSIPPI; J. L. TAYLOR, NEW MEXICO-PECOS VALLEY FARMERS ASSOCIATION; F. H. HEIDELBERG, NORTH CAROLINA COTTON PROMOTION ASSOCIATION AND UPLANDS COTTON GROWERS, INC.; AMOS KAY BASS, OKLAHOMA COTTON PRODUCERS LEGISLATIVE COMMITTEE; AND BOB HEARD, SOUTH TEXAS COTTON IMPROVEMENTS ASSOCIATION

Mr. RAY. I will be glad to, Mr. Chairman.

The list you have before you is a rundown of organizations by States and I will start with Arkansas and would like to introduce Mr. Nick Rose of Roseland, Ark.; and on my right, from Arizona, is Mr. J. Clyde Wilson; and from the Delta Council of Louisiana is Mr. Jack Hamilton; and from the Delta Council of Mississippi we have Mr. B. F. Smith and Mr. C. R. Sayre; and, of course, I represent the El Paso Valley Cotton Association.

The CHAIRMAN. We are glad to have all of you here. Let me say we have about 1 hour to finish the hearing, so I wish you would make

your statement as brief as possible. We all have copies of your prepared statement before us and I think by omitting some parts of it we can move along. We have two other witnesses to hear after you have finished your statement.

Mr. RAY. I only have one or two more, Mr. Chairman, if you would bear with me. Mr. J. L. Taylor, of New Mexico, represents the Pecos Valley Farmers Association; Mr. F. H. Heidelberg represents the North Carolina Cotton Promotion Association and Uplands Cotton Growers, Inc.; Mr. Amos Kay Bass represents the Oklahoma Cotton Producers Legislative Committee; and Mr. Bob Heard represents the South Texas Cotton Improvements Association. And there are a number of other people here who are from these organizations as well.

Mr. Chairman, I will do everything possible to cooperate with your wishes. I want to say that we are taking up where we left off the other day and this is, of course, a followup of our position before.

Gentlemen, first of all, we would like to express our full appreciation for your permitting us to appear again before this committee.

When we were here on June 1, we asked for additional time to work with other groups and with the Department of Agriculture toward development of a program to expand domestic consumption and, at the same time, regain and maintain our fair share of the increased world market. We have actively engaged in recent days in such activities.

Also, we assure you that we have the strong support of producer associations representing farmers who grow most of the cotton produced in the United States.

As we pointed out in our statement of June 1, the large majority of cotton farmers are strongly opposed to the direct-payment approach and acreage-reduction features of H.R. 8149. We view this as a negative approach that will lead to stagnation and liquidation of a substantial part of the cotton industry.

Recently, there has been talk of guarantees against limitations being imposed on direct payments. We have checked this carefully and we are fully convinced that meaningful guarantees of this kind would be impossible. We believe that low-level limitations would be inevitable. This would mean that commercial growers would be forced onto the world market with a substantial part of their crop. Cotton prices would be reduced to 22 cents per pound, less in many areas, on the main streets of our country towns. Mr. Chairman, cotton farmers could not even obtain needed production credit with such threats staring them in the face. At current cost levels, we simply cannot buy the goods and services necessary for crop production on a protected market and at the same time sell our products at world market prices.

We recognize, of course that it is not the intention of this committee to put the farmers into a straitjacket.

H.R. 8149 would provide a dual system under which growers could obtain price support by (1) putting his cotton under nonrecourse loans, or (2) selling his cotton and receiving a direct payment to bring his income up to a level approximately the same as would be obtained by growers who would use the loan for some of his crop during the harvest peak and sell his cotton in an orderly way during the whole of the marketing year.

Before the direct payment could be made under this alternative, the grower would have to sell his cotton. Such an approach would

promote early selling during harvest when supply conditions are congested. This would break prices received by farmers in country markets.

Considerably less than one-half of grower's cotton goes into the loan in most years. This would mean that even with a dual system of supports, prices would be pushed well below loan levels with substantial reductions in grower incomes.

Under existing law, the loan level is announced "insofar as practicable prior to planting," usually before March 1. Under the dual system included in H.R. 8149, the loan level could still be announced ahead of planting. But, as you know, appropriation bills often do not pass until summer and sometimes late in the session. The threat of limitations would be right in front of the nose of the growers and his banker, as he attempts to make rental arrangements, plan his production, contract for seed and fertilizer and buy equipment.

Gentlemen, the proposed dual system is theoretically attractive but it is unworkable from the standpoint of the grower and business enterprizers who provide financing and production supplies.

While I do not wish to be repetitious, please recall the fact that cotton farmers have already absorbed reductions of \$17.35 per bale or approximately 250 million income dollars annually, through lowered prices in a 2-year period. This has been prompted by efforts to reduce Government costs and to bring about more competitive prices. I want to emphasize this is our contribution to the one-price system.

Those who advocate direct payments to growers to achieve a one-price system are really asking growers to assume all of the risks and the whole load of potential sacrifices in order that every other group affected by the industry may prosper.

With a loan of 22 cents per pound and direct payments at 7 cents per pound, 32 percent of gross cotton income would have to come directly from Government appropriations. This would mean that \$600 million of growers' incomes would be in jeopardy each year—dependent upon congressional and administrative actions.

We must ask this question: Are growers to be forced to accept direct payments or give up the recognized benefits of single-priced cotton? If so, the record must be made clear. The risks attached to single-priced cotton, coupled with direct payments, are too great for growers to assume at this time. In the future, profitable cotton production in the United States and a single price system can be made compatible if substantial reductions in costs are achieved, through research and added technological gains.

H.R. 8149 would result in a reduction in gross cotton incomes by \$300 million annually. When compared with the value of the 1964 crop, \$2,290 million, the reduction would amount to 13 percent. Obviously, the effects of 2 million acres taken out of the national allotment, further cutbacks under the domestic allotment provisions, and its adverse effects upon prices received by growers in country markets, would be too drastic.

A permanent reduction in the national allotment, if made mandatory by this Congress, would simply signal other cotton producing countries to step up their production. Ours would be a wasted effort. Every time we cut—they increase. They have done so repeatedly as we have come down from 43 to 16 million acres.

The crisis that we now face has been brought on largely by the lack of an effective export program. We would like again to call attention to the absolute necessity for an export policy that will regain and hold our fair share of the expanded world market for U.S. cotton. In our statement of June 1, we presented export statistics for 1956-64. I will refer to them again. We selected 1956 as the starting point since this was the year that section 203 of the Agriculture Act of 1956 became effective. The 5-year average, 1956-60, amounted to 5,988,000 bales annually while the average 1961-64 amounts to only 4,581,000 bales—a difference of 1,407,000 bales per year. Had we maintained our exports at the 1956-60 rate, our supply today would be at a 6 to 7 million bale level. This would closely approximate the national security reserve recommendations for cotton—6 million bales—included in the recently published report of the National Agricultural Advisory Commission.

Specifically, the Commodity Credit Corporation should be required to offer its stocks at regular intervals at competitive prices. Sales should be limited in quantity but not in price. The quantity to be sold quarterly should be determined by supply-demand studies.

Sales price should be adjusted upward or downward in keeping with changes in spot cotton prices for comparable qualities in Bremen, Germany and Liverpool, England. Dependable price series are published for these markets. Relating the sales price levels to fluctuations occurring in major world markets would provide an approach that would expand markets for U.S. cotton by removing the umbrella that we now hold over the world price structure.

At times there would possibly be no sales; however, in other instances, CCC would be able to sell substantial quantities. In 1956, 1 million bales of short staple cotton was offered about as outlined above and was sold within a few weeks' period.

Offer acceptances could be kept in line with market conditions by adjusting the value of the payment-in-kind certificates now authorized under current law.

We are confident that an export sales program as above outlined would expand our export market in a realistic manner and that we could achieve an offtake of at least 6 million bales per year. The main thing is to shift to a positive approach related to major world markets rather than trying to guess a year in advance what the world price will be and maintaining a fixed position throughout the entire marketing year. Please note—we do not advocate that we break world prices but that we meet world prices.

Mr. Chairman, we urge that the legislative history provide specific guidelines for a positive export program including a minimum target of 6 million bales per year, with expansions as the world markets grow along with population increases and increases in levels of living.

To provide more room in the domestic market for cotton now on hand and to help reduce stocks, we recognized the need for providing a method through which the acreage planted to cotton can be reduced as a temporary expediency. We strongly urge, however, that bona fide farmers be offered alternatives from which they can select the plan that more nearly fits their individual production situation.

With this in mind, we reviewed with USDA, for costs estimate purposes, the following proposals for diversions of acreage in relation to

individual farm allotments within a 16-million-acre national allotment through grower choices. The record must be clear that some groups for which we are testifying have reservations concerning some of the grower choices as outlined here. Briefly, they provide:

(1) Farmers who elect to plant their full share of the 16-million-acre national allotment plus released and reapportioned acres would not be eligible for CCC price-support loans;

(2) Farmers who elect to reduce their effective allotments by 10 percent would be eligible for nonrecourse CCC loans amounting to 29 cents per pound, Middling 1-inch, average location;

(3) Farmers who elect to reduce their effective allotments 20 percent would be eligible for a nonrecourse loan of 29 cents per pound, Middling 1-inch, average location for the cotton that they produce plus payment-in-kind certificates valued at 5 cents per pound on the established yield from the acreage taken out of production;

(4) Farmers who elect to reduce their effective allotments 30 percent would be eligible for a nonrecourse CCC loan of 29 cents per pound, Middling 1-inch, average location for the cotton that they produce plus payment-in-kind certificates amounting to 7 cents per pound on the established yield from the acreage taken out of production;

(5) Farmers who elect to reduce their effective allotments 40 percent would be eligible for a nonrecourse CCC loan of 29 cents per pound, Middling 1-inch, average location for the cotton that they produce plus payment-in-kind certificates amounting to 9 cents per pound on the established yield from the acreage taken out of production.

It should be provided, however, that no cotton history acreage allotment shall receive any level of payment without planting at least 60 percent of the effective allotment.

Mr. Chairman, we recommend continuation of provisions of the Agricultural Act of 1964 providing for payment-in-kind certificates in the channels of trade to others than producers in the same way as for the marketing year 1964-65 and in amounts that will make U.S. cotton available to domestic mills at the same price that it is made available to foreign mills. As previously stated, the value of the payment-in-kind certificates should be adjusted periodically to maintain the needed balance.

We recommend a continuation of price supports at 29 cents per pound, Middling 1-inch, average location for the 1966-67 marketing year with adjustments thereafter in the price-support level, up or down, based on relative changes in the costs of production, provided that such adjustments would not exceed one-half cent per pound per year. Cotton farmers fully recognize the need for moving toward more competitive prices and are perfectly willing to do so within the limitations of their capabilities.

Release and reapportionment provisions should be continued as at present; however, we recognize the need for transfer of cotton allotments within counties and States on a permanent basis. Growers, under supervision of the State committee, could pay for transfer of such allotments within the county and State. The program for transfer of allotments should begin immediately. The allotments to be transferred should be adjusted for differences in established yields on the originating farm and the acquiring farm at the time the transfer

is initiated. We would like to have the opportunity to work with the Department in developing equitable regulations providing for the permanent transfer of such allotments.

This grower committee requested the Department of Agriculture, as previously stated, to estimate Government costs with the program outlined above. Their approximation was \$783 million.

Exports at a 5.2 million bales annual rate were included in their estimates. With a sales program as outlined above, we believe Government costs would be about \$700 million. We believe that Government stocks would be reduced by about 1 million bales per year under this plan. We believe that while guaranteed gross income to growers would be reduced, the potential would be approximately at current levels—\$2 $\frac{1}{4}$ billion annually. The record should be clear, however, that USDA provided Government costs estimates as a service upon request. Adjustments in export estimates and in the amount of domestic consumption with a continuation of a single price system are ours—not theirs.

We strongly urge full implementation of the cotton research section of the Agricultural Act of 1964 to reduce production costs and improve quality. We note that the House of Representatives, by the overwhelming adoption of the agricultural appropriations bill, made provisions for the construction of a number of vitally important cotton research laboratories at various locations throughout the Cotton Belt and we wish to express appreciation for this action.

In this Nation, dedicated to economic growth and stability, it is unthinkable that we should sit on a huge inventory and ruin the prospects for a vigorous cotton industry by big acreage cuts and maintaining the position of residual supplier in world markets. Such a position is contrary to either prudence or good business practices. It is also unthinkable that huge cuts in farmer income should become the main way to cut Government costs.

Mr. Chairman and members of the committee, we believe that we are offering a more practical way to get a better job done for all in cotton, for the Government, and the general public through extension of the cotton sections of the Agricultural Act of 1964 with modifications as outlined and the implementation of a positive export program.

We are continuing to work with other producer groups and others in the industry toward these aims. Thank you.

The CHAIRMAN. The first thing I will say, Mr. Ray, is that we appreciate the continued interest you and your associates have in the problems now confronting us.

As I understand it, you are recommending a continuation of the law we now have in operation with the modifications which you are suggesting. Is that right?

Mr. RAY. That is basically true, yes.

The CHAIRMAN. You oppose direct payments to farmers because you are afraid limitations might be imposed. And in the same statement, on page 2, you recognize the fact that the bill before us provides for a dual system. Any farmer that does not want to accept direct payments can take advantage of the loan, and if that limitation is imposed he can still take advantage of the loan.

I can understand why you would not want limitations. I do not know of any member on this committee who would want to impose limitations. I know many farmers would say they would take the

loans. This bill provides for that alternative. This committee undoubtedly will go on record as opposed to the limitation and will put a provision in the report saying we oppose it, but if a limitation is imposed you can skip it and take the loan now in operation. I do not see why those who do not want to accept the payments would try to prevent someone from accepting the payments who want them. We put down some other alternatives in here but you are still juggling around with prices. All of us must realize we cannot continue to operate a program that will continuously add to the inventory. Even the program we now have costs over \$900 million for 1 year's operation. I think the program has operated well. It has been too expensive; more expensive than we thought it would be. I do not want to see the price of cotton go down. I am glad to note you do appreciate the value of the release and reapportionment provisions of the bill and recommend they be continued.

I do not see why you come up with two or three more alternatives when you have the alternative of the loan program. We know when we make the direct payments to the mills rather than to the farmer it stands out like a sore thumb and everybody is fussing about the mills getting so much money. I think everyone working in the mills of North Carolina has received increases in salary. They have been employing three shifts a day and they are expanding and the industry has spent \$1 billion during the time this program has been in operation and cotton production has increased by 1 million bales, or close to it.

We are in this position: If we do not extend the program we might find ourselves going back to the 8½-percent differential, and if we go back to that, industry will use the machinery to their own benefit; that is, to switch from cotton to rayon or other fibers.

I do not know about the 16 million acres. I reached up and took it out of the air. I know the farmers made a contribution in the last program, but that is not enough. If we are going to continue this program we have to change it somewhere along the line and I can almost testify now that when Commerce comes in they will oppose the bill because of its tremendous cost, and then the program is gone.

Why is it you are not willing to accept either the price under the loan program, on the one hand, or the direct payment on the other? Take your choice.

Mr. RAY. Specifically on that point I would first like to say it has become clear to us that practically every one of the producer element is opposed to direct payments in any form.

The CHAIRMAN. Why, because of the limitation?

Mr. RAY. That is one, but there are more reasons than one. We believe that the matter of financing is a tremendously important item.

The CHAIRMAN. Do you not know the people financing this program have a cost of about \$900 million a year?

Mr. RAY. That is not the kind of financing I mean. If you will permit me, it is one thing to finance your crop with your local banker if he knows you have a 29-cent loan or no loan or even a 22-cent loan. These are the things he recognizes. We checked this out with many people who finance farmers.

Mr. POAGE. May I break in?

Mr. RAY. Yes, Mr. Poage.

Mr. POAGE. Do you know of a wool grower in the United States—and you come from a wool country—do you know of any wool grower who has found it difficult to get financing because his payments are made directly?

Mr. RAY. Certainly I do not know one because I am not an expert on wool. I am very little of an expert on anything, but certainly not on wool.

Mr. POAGE. The best was for us to judge how this will apply to a new crop is to see how it has applied to other crops in the past. You come from the second largest wool-producing district in Texas. Do you know of anybody who has been denied financing because the income of wool producers is supported by direct payments rather than by loans?

Mr. RAY. Mr. Poage, I have not checked this out.

Mr. POAGE. You have been more or less familiar with the operations of a new sugar mill on the plains. Have you found any farmer who has been denied financing on the plains of Texas growing sugarbeets because he was going to get direct payments instead of a loan?

Mr. RAY. Mr. Poage, I certainly do not know of anyone in the sugar industry.

Mr. POAGE. I do not either. I think therefore that it is unrealistic to come here and say our farmers cannot get financing because they will get direct payments instead of a loan. We have two good examples. We have been making direct payments on sugar for 20-odd years and on wool for 12 or 13 years, and I just do not know of any actual example that will support your statement that a man cannot get financing because his payment will be a direct payment instead of a loan, and I do not believe there is a thing in the world in the history of agricultural operations in the United States that justifies that statement.

Mr. RAY. Mr. Poage, certainly I understand what you are saying and this is not an idle scarecrow in our mind. We have talked to a number of people who finance cotton production and this is the thing they tell us. Perhaps another member of the committee will throw some light on what bankers have actually said. I know some of them have talked to bankers. I have seen letters myself.

Mr. ABERNETHY. If the gentleman will yield, I would like to refresh your memory that they now publish the names of the people who receive certain loans. If they will publicize and complain about loans, the limitations——

Mr. POAGE. I was not talking about limitations. The Chairman asked him what other objection he had other than limitations and he said one was they could not get financing, and it was the point of financing I am discussing, Mr. Abernethy; the Chairman asked him what "other" objections he had.

The CHAIRMAN. I said under the bill there are two alternatives, the fellow can take a loan and refuse to take the payment, or he can take the payment and refuse to take the loan. Then I asked what objection you had and you said it would limit you in financing your crop. As Mr. Poage pointed out, that is a fantastic assumption on your part because you know it has not interfered with financing under the sugar bill, and it has not interfered with financing under the wool bill.

Mr. HAGEN. Mr. Chairman, I would like to point out that in theory wool act payments are derived from wool duties and sugar payments from a special levy.

Mr. POAGE. You cannot levy a tax simply for the purpose of making payments. The money goes into the Treasury and the amount is a limit on the appropriation. The money collected from the import duties is not used for payments directly but the amount of money collected from import duties is a limitation on the power of Congress to appropriate.

The CHAIRMAN. Under one of your options it would force the price of cotton up to 38 cents a pound, would it not?

Mr. RAY. That is very little different from what is in the bill now. This is about the same rate as we have in the act today. There is very little difference from what we have in the act today.

Mr. ABERNETHY. The payment-in-kind certificate, that is only on the crop reduced?

Mr. OLSON. Mr. Chairman.

The CHAIRMAN. Mr. Olson.

Mr. OLSON. Mr. Ray, on page 7 the first of your recommendations is:

Farmers who elect to plant their full share of the 16 million acre national allotment plus released and reapportioned acres would not be eligible for CCC price support loans.

For my information—and I am not as fully versed on cotton as some of my colleagues—how do you get a farmer to vote “Yes” in a cotton referendum if he does not receive any obvious benefit in the form of a loan support price?

Mr. RAY. Mr. Olson, we believe some farmers would elect this choice. Certainly we do not know how many, but we think they should have this choice. We hear frequently of farmers who would like to sell in an open market.

Mr. OLSON. This would be the farmer that would vote “No” in a referendum?

Mr. RAY. Not necessarily.

Mr. OLSON. Why would he vote “Yes?”

Mr. HAGEN. He would have the choice of participating to the utmost or not participating.

Mr. JONES. The reason he would do it is the same reason the foreign growers grow cotton under this umbrella of 29 cents.

Mr. OLSON. The 29 cent protection for other people would help him? In other words, everyone received benefits under a farm program if it is in effect. What we are talking about is whether the program should try to reach everyone. Is that right?

Mr. POAGE. That, as I see it, is one of the substantial reasons for using a direct payment rather than loans. As Mr. Jones points out, if you grant a loan it is an umbrella and it becomes an umbrella for everybody. A direct payment is not an umbrella for anybody and it lets your commodity move at the world price. I imagine if you took a vote four-fifths of the people would say they want private industry to handle the cotton trade and they want to sell in the competitive market. The direct payment lets you sell in the competitive market and keeps it in private hands. The loan puts the cotton in the warehouse and puts an umbrella over everybody.

Mr. OLSON. That is what I understand we adopted in the feed grain program.

Mr. POAGE. That is right.

Mr. JONES. Where you refer on page 7 to the effective allotments, do you mean the effective allotment plus the released and reapportioned acreage he received?

Mr. RAY. I believe that is right.

Mr. JONES. If a fellow could get enough released and reapportioned acreage he could actually grow as much cotton as he did before even after he reduced 20 percent. Is that right?

Mr. RAY. You say "if." If he could that might be true, but later on we provide for permanent release of allotments.

Mr. JONES. You are proposing for him to pay for this released acreage that he would get, is that right?

Mr. RAY. That is right, on permanent release.

Mr. JONES. What will you do for the fellow who releases it? Will he get that money or will the Government get it?

Mr. RAY. It is provided he gets paid.

Mr. JONES. But you say he will not get paid unless he plants.

Mr. RAY. That is true.

Mr. JONES. In other words, a fellow who has released his acreage has not been getting any money for his release in the past?

Mr. RAY. That is right.

Mr. JONES. And you are proposing he be paid in the future?

Mr. RAY. If he makes a permanent transfer.

Mr. JONES. He would be paid by whom?

Mr. RAY. What we visualize, is this going into a pool and then, under regulations set up by the State committees under the Secretary, under those rules these same acreages, or bales, really, would be resold at a price.

Mr. JONES. In other words, would any Government money enter into this or would the person receiving the acreage pay the same amount as the person releasing it receives?

Mr. RAY. That is right.

Mr. JONES. In other words, there would be no extra Government money?

Mr. RAY. No. This is a transfer of allotments on a permanent basis from one farm to another within the county and within the State.

Mr. JONES. On page 8 you say:

It should be provided, however, that no cotton history acreage allotment shall receive any level of payment without planting at least 60 percent of the effective allotment.

In other words, you are requiring him to plant whether he wants to or not to get the payment?

Mr. RAY. I will call on Mr. Heidelberg to answer that.

Mr. ABERNETHY. I think the witness had reference to the various levels of payment he would receive under the points raised on page 7, numbers (2) and (3), and number (4) on page 8. Is that right?

Mr. RAY. That is right.

Mr. ABERNETHY. We are required to pay now.

The CHAIRMAN. I understand that. Under the present program he is not required to plant 60 percent.

Mr. JONES. Under this plan if he releases he cannot get any payment at all.

The CHAIRMAN. That is right. This requires him to plant 60 percent. Under the present program, he is not required to plant as much as 60 percent every year. This requires him to plant 60 percent every year.

Mr. JONES. When he releases, he does not get any payment at all.

The CHAIRMAN. I understand.

Mr. JONES. He will have to plant one-tenth of an acre every 3 years to preserve his allotment.

The CHAIRMAN. Suppose a man surrenders 10 acres, farmer A. If farmer A decides to cooperate, he is going to get paid on that 10 acres.

Mr. RAY. I would like for Mr. Heidelberg to express his opinion.

The CHAIRMAN. Do you understand it?

Mr. HEIDELBERG. I understand it perfectly, I think I do. I hope I do.

Your question is, there is nothing different in what you are saying and what has been going on in the cotton industry for many years.

The CHAIRMAN. Farmer A releases 10 acres of cotton to farmer B. Farmer B can come in under this proposal and get paid for it by not planting. He takes it with the understanding he is going to plant it. Then he turns around and turns it over to the Government and gets paid for not planting.

Mr. HEIDELBERG. I think you are trying to blend two things together.

The CHAIRMAN. I am trying to straighten it out.

Mr. HEIDELBERG. What we are proposing here is simply a sale of allotments, similar to that which was part of title VI in 7097. You received testimony on that about 2 weeks ago.

As far as this paragraph that is troubling Mr. Jones is concerned, the purpose of this is that we feel the production of cotton and the decision on production should be maintained in the hands of bona fide growers.

In my testimony before this committee on June 2 you will remember I made a careful distinction between the non-bona-fide farmer and the bona fide cotton farmer.

The CHAIRMAN. Let's get back to the question. We heard the testimony.

The question——

Mr. HEIDELBERG. I am trying to answer your question. I am trying to give you the distinction we are making here, that the decision on planting cotton——

The CHAIRMAN. I do not want a distinction. I want a clear-cut answer.

Do you intend to let the man voluntarily transfer his acreage and be paid for it by the Government?

Mr. ABERNETHY. The person who receives it?

The CHAIRMAN. Yes.

Mr. HEIDELBERG. Under the domestic allotment program, in your 1964 bill, the reapportionment has been going on, and farmers have been able to take a 35-percent cut in acreage and get paid for it.

The CHAIRMAN. Not on the reapportionment allotment.

Mr. HEIDELBERG. The reapportionment program has been in effect. The CHAIRMAN. I understand that.

If someone gives me cotton acreage, I cannot surrender it and get paid for it? That is what Mr. Jones wants to know.

Mr. JONES. He can under this bill.

The CHAIRMAN. That is what I am asking.

Mr. HEIDELBERG. This is the program that has been in effect the past 2 years. Our proposal is a modification of the same program.

Mr. JONES. We know some of the things we have done in the past are wrong, and I am hopeful we can correct some of the mistakes we have made. I am trying to give the payment to the fellow who releases his acres. I am interested in him.

Mr. HEIDELBERG. We are proposing the same thing here—in a sale of allotment provision. If you have 10 acres you do not want and you are willing to sell it to me for a price, it will be legal for me to do so.

Mr. JONES. You just got through saying you are going to sell it into the pool. You are not coming here and advocating a direct sale of allotments, are you?

Mr. HEIDELBERG. We are saying by regulations the Government will establish——

Mr. JONES. You are telling me something different, one farmer selling his allotment to another farmer. You are going to get into some trouble on that sure enough.

I have advocated the Government buying the allotments and holding them until such time we will need that. In that way the Government will make something out of it, and at the same time, the farmer who had the allotment will make something out of it. You will get this reduction.

Before I leave——

The CHAIRMAN. I want you to clear that up.

Mr. JONES. They do not agree with what I am trying to say. I do not expect to get a favorable answer.

The CHAIRMAN. You should get some answer.

Mr. JONES. What do you think about the Government buying the allotments and holding them out?

Mr. HEIDELBERG. This has been proposed. I have heard it several months. I believe it is part of the cotton program of the American Farm Bureau for the Government to buy the allotment and retire it for a 3-year period.

Mr. JONES. I want them to retire it until such time as we need it to increase the cotton production.

Mr. HEIDELBERG. The answer I give to this is, this would seriously reduce the cotton production program in many States, and particularly it would be pernicious in the State of North Carolina because of the fragmented condition of our allotments with some 270,000 out of 460,000 acre allotment being 15 acres or less, with 215,000 of those acres in 10 acres or less. We simply cannot live with that asset tied up indefinitely.

Mr. JONES. Are you more interested in protecting the ginner, or the community?

Mr. HEIDELBERG. I am interested in the agricultural income from cotton in my State. I am interested in the entire business of cotton. I am interested in the farm income in the State of North Carolina.

Mr. JONES. Would that not be farm income when he sells the allotments and gets the payments over a period of 5 years?

I do not think you are going to be in the cotton business after 5 years there anyway. I think you should be getting out of it and getting money out of the allotments and you could go into some other readjustment period.

Mr. HEIDELBERG. In the mess we are in, we might as well all be out.

Mr. JONES. I think we are going to take everyone down the drain in order to try to protect this small 5 or 10 acre farmer who cannot produce competitively.

Mr. HEIDELBERG. We feel he should be given an opportunity to sell that allotment, but we do not agree with you it should be indefinitely retired. That would mean maintaining a 16-million-acre or more national allotment for some areas, and all the reduction coming out of one particular area. We think this would be a permanent destruction of the industry in my area because cotton in particular requires a lot of machinery processing. If you take acreage out that long, the gins rust, the marketing system disappears, the warehousing system disappears. They never go back in. That may be the design some people have in mind.

Mr. JONES. That is the trend, and I think the sooner we realize it and adjust ourselves to this new philosophy——

Mr. HEIDELBERG. I have been reading in the President's farm message, and pronouncements of other agriculture leaders, their ideas as to what we need in this country. These emphasize that it is the strengthening of the family farm.

I am deeply interested in seeing that done. We cannot do it by removing assets from them. They need it to improve their allotment situation and move toward efficiency of production. I think it is important to maintain these people in our American scene.

Mr. JONES. A lot of them that have gone out of cotton production in other areas are better off than they were.

Mr. HEIDELBERG. I think that determination and decision should remain in the hands of the individual and not be made by us.

Mr. JONES. I think we would give it to him when we would buy these allotments. He would determine whether he would want to keep his land, or adjust his farming operation.

This limitation of payments, do you not think, Mr. Ray, you have the same thing hanging over your head all the time?

Mr. RAY. There is a similarity.

Mr. JONES. After all, the Government has to appropriate the money to the Commodity Credit Corporation to make it possible for them to make loans. Do you not think we are going to be subject to the same criticism for making loans which, in effect, are nothing but sales in many cases?

Mr. GATHINGS. Let me ask Mr. Heidelberg a question.

You brought us a recommendation a few years ago asking this committee to write into the law a release and reapportionment provision for cotton.

Mr. HEIDELBERG. I am proud to have that written in.

Mr. GATHINGS. And I am proud to have been a part of it. Even though under the release and reapportionment provision of the law which was intended to keep the cotton with the State where it was

grown, are you still losing cotton acreage now in the State of North Carolina?

Mr. HEIDELBERG. No, sir.

Mr. GATHINGS. Are you holding the cotton there in the State?

Mr. HEIDELBERG. Pretty well.

Mr. GATHINGS. All the States are holding their acreage?

Mr. HEIDELBERG. Pretty well.

Mr. GATHINGS. That is what was intended?

Mr. HEIDELBERG. It was premised on what you concurred in and what you thought was a good premise, that people should use or lose their allotments. You talk about paying these people not to plant cotton. You are not talking about farm people. I brought that documentation to you and I can get more.

The CHAIRMAN. Suppose a man has an allotment. Suppose he is a lawyer, preacher, doctor, butcher, or baker, and you come under this proposition, if you reduce your production by 40 percent, and whatever you do produce on there we will give you a 29-percent loan, what do you think will happen? Do you not think it will go back into production?

Mr. HEIDELBERG. If they become real farmers, we have no objection to that.

The CHAIRMAN. I cannot follow this sort of logic where we give you in the bill before us two choices. One is a loan and one is a payment. You are not satisfied with that. You want two or three more choices.

Who made up this business here of graduating these payments up as high as 38 cents a pound?

Mr. HEIDELBERG. I think it was fashioned after programs already in effect in other commodities, Mr. Chairman.

The CHAIRMAN. Is that your answer, because of some other commodity program?

Mr. RAY. Would the chairman reframe the question, please?

The CHAIRMAN. Where do these other alternatives come from?

I thought you were satisfied by the loan itself. That is what you said the other day. Now you say you are not satisfied with the loan. We want either the loan, or these other three or four alternatives. You do not want any direct payments. You cannot give me a good reason why you do not want direct payments.

Mr. RAY. I think we ought to clarify that these three choices are individual grower choices.

Mr. ABERNETHY. I think what these gentlemen are trying to do, and this is the first time I have seen this, is to offer a means of reducing the acreage which the chairman himself has done in his own bill. They offer the idea that if a farmer plants his entire allotment, he gets no price support for it, and that would encourage him to reduce.

The CHAIRMAN. They will produce all they want to produce and sell it in the world market in competition with the bales of cotton grown under the program. Some farmers in this country tell me they are willing to grow cotton without support prices at all.

Mr. ABERNETHY. He said some will. He did not say many would.

The CHAIRMAN. They will not take any reduction?

Mr. ABERNETHY. They will not take any reduction.

The CHAIRMAN. Farmers who elect to plant their full share of the 16-million-acre national allotment plus released and reapportioned acres would not be eligible for CCC price-support loans.

Mr. ABERNETHY. That is right. But they cannot plant unlimitedly.

The CHAIRMAN. How will they take a reduction if they plant their full share?

Mr. ABERNETHY. They cannot plant more than their allotment.

The CHAIRMAN. This contemplates that everyone else will reduce?

Mr. ABERNETHY. It contemplates they might reduce.

Mr. GATHINGS. I had the witness. When you get through I want the witness back.

The CHAIRMAN. You take him back right now.

Mr. HEIDELBERG. I am still here.

Mr. GATHINGS. Mr. Ray, I want to thank you and the gentlemen around you for bringing in this program based on the feed grain program which has been most successful in the last few years. The feed grain program has reduced surpluses. It has cut back production and dug into CCC stocks, has it not?

Mr. RAY. That is right.

Mr. GATHINGS. Now, your plan here would do the same thing. What reductions do you estimate under the plan you bring here today?

Mr. RAY. I believe we put that in the statement, somewhere near 1 million bales.

Mr. GATHINGS. Each year you would cut back by 1 million bales the surplus stocks.

Mr. RAY. Cutting back stocks by 1 million. If you ask about production, we estimate it could possibly take another 2 million bales out. This is a possibility. We are not sure on this.

Mr. GATHINGS. You are supporting a payment program as a choice—some of these choices set out on page 7 and going over to page 8?

Mr. RAY. That is right.

Mr. GATHINGS. They get paid for that percent that comes out of production under your plan.

Mr. RAY. That is a very important point.

Mr. GATHINGS. Do you think there will be fairly good participation in Texas? They produce some 37 percent of the total cotton crop. Do you think there will be farmers in Texas that would take these choices, 3, 4, and 5?

Mr. RAY. It would be impossible for me to give a reasonable accurate estimate on these things. I would venture to say there are farmers in Texas that would elect each of them.

Mr. GATHINGS. There would have to be considerable election on the part of the farmers for Nos. 3 and 4 in order to cut back production appreciably. You do think a lot of farmers will take 3, 4, and 5?

Mr. RAY. I certainly do, sir. I think there will be quite a number of farmers who will elect those last three choices.

Mr. GATHINGS. Mr. Rose, what do you think the situation will be in Arkansas regarding participation by our farmers? Do you think there will be many of our farmers in that will take choices 3, 4, and 5?

Mr. ROSE. I think there will be more acres retired under sections 3 and 4 of this proposal than is now retired under the domestic allotment program of the present bill we are operating under.

I will not say it will be a great deal larger, but I do believe we will have a larger acreage retirement in the State of Arkansas than we have had in the last 2 years under the domestic allotment program.

Mr. GATHINGS. You state in your remarks this morning that some of the organizations had reservations as to accepting these plans.

Mr. RAY. That is correct.

Mr. GATHINGS. They had some reservations with respect to taking the payment; is that right?

Mr. RAY. That is correct. They have reservations with the choice plan that is outlined here.

Mr. GATHINGS. That is because they are basically opposed to taking payment from the Government; is that it?

Mr. RAY. No.

Mr. GATHINGS. What is the reason behind it?

Mr. RAY. Their opposition primarily is, first, this tends to reduce their gross income more than they feel they can afford. While I am on this subject, what we are trying to do with this type of thing is to meet the criticism we must reduce Government costs, that we must cut down production. We are trying to avoid the necessity of such things as skip-row cutbacks. We are trying to avoid the necessity of these things by doing it on a voluntary basis.

We think by giving a man the five choices, surely there is one he can live with. These people who have reservations feel like they can live with none of them. That is as simple as I can state it.

Mr. GATHINGS. What percent of your organizations have reservations?

Mr. RAY. I have only two.

Mr. ABERNETHY. I hate to get into skip row. I did not intend to until you mentioned it.

If one of these farmers takes out either 10 or 20 percent or 30 or 40 percent, as you mention on pages 7 and 8, and he is a skip-row planter, do you anticipate that he would be required to retire the full amount of the skip-row acreage, or just half of the amount he would have retired had he not been skip rowing?

Mr. RAY. I have a little difficulty understanding what you are getting at.

Mr. ABERNETHY. He has a 100-acre allotment and he is a skip-row farmer. He plants that over a spread of 200 acres. If he decides to come under section 2 on page 7, a reduction of 10 percent, would you require him to retire 10 or 20 acres?

Mr. RAY. Ten acres.

Mr. ABERNETHY. Only 10?

Mr. RAY. That is right.

Mr. ABERNETHY. You do not make him retire but 10?

Mr. HAGEN. Let's assume he is skip rowing and he has a 100-acre allotment and he retires acres, is he required to retire acres equal to his allotment, or the actual number of acres on which he has been planting, which represents a combination of his allotment and reallocated acres.

Mr. RAY. Mr. Hagen—

Mr. ABERNETHY. Let me go to something else.

This statement is made in anticipation of a 16-million-acre national allotment. It provides in the first recommendation on page 7 that those who do not reduce their acreage to a certain degree would not receive any price support. That means that in order to receive price support he would have to reduce at least 10 percent; is that correct?

Mr. RAY. That is correct.

Mr. ABERNETHY. Then it is possible, but hardly probable, that the national allotment would be reduced by as much as 1.6 million acres?

Mr. RAY. That is possible.

Mr. ABERNETHY. And let's assume that 1.6 million acres would produce 1.6 million bales—and I think that is a fair assumption considering the national consumption—now, that 1.6 million bales would move into the market at what price—at the market price, is that right?

Mr. RAY. Twenty-nine cents. That would be the loan under this plan.

Mr. ABERNETHY. He does not get any loan.

Mr. RAY. If he reduces, he does.

We visualize there will be someone who will reduce, and thereby the loan would be effective.

Mr. ABERNETHY. You are right about that.

Suppose there are those, and there will be some, who will not cut back. What does his cotton move at?

Mr. RAY. Whatever he could get for it.

Mr. ABERNETHY. Let's suppose it is 26 cents and the loan is 29 cents. How do you handle those two cottons in the market, one at 26 cents and the other at 29? What is the machinery by which it is handled?

Mr. HEIDELBERG. You have different prices on different bales. Cotton sells from 18 cents to 30 cents now, depending on the grade.

The CHAIRMAN. This is all 1-inch Middling we are talking about.

Mr. ABERNETHY. I visualize this might create some sort of hiatus in the movement of cotton.

Mr. SMITH. I think Mr. Jones put his finger on this a while ago.

The 29-cent loan would establish the market price. The people who sell who do not get price support would sell at the market, but it would sell around the 29-cent figure.

Mr. ABERNETHY. It would be the loan price?

Mr. SMITH. They would sell around the loan price.

The CHAIRMAN. The Government would be holding the umbrella.

Mr. ABERNETHY. Why would anyone sign up for the loan? Why would anyone cut back?

The CHAIRMAN. Let's get someone to answer that question.

Mr. RAY. Mr. Wilson I think can answer that. If he does not care to, I will attempt to.

Mr. SAYRE. I have been working with this group as most of you know. On this particular question, the choice to the producer being able to plant his full allotment with no price support versus the one who cuts back 10 percent and is eligible for the price support comes back to a large degree to this matter of financing. The person who has his capital unimpaired to make this crop, and is producing the kind of cotton that sells for which there is a good demand, could well afford to take the choice without price support. The person who must go to the financing agencies in order to have money enough to make his crop would I think cut back to 10 percent and seek the protection of the loan.

This would mean we would have enough participation with the 10 percent cutback to keep the supply picture in relation to the overtake at harvesttime where the market price would fluctuate not too far from the 29-cent umbrella.

Mr. OLSON. What you are in effect saying is those who cannot afford any other action are compelled to suffer the reduction.

The CHAIRMAN. And they will not be compensated in any way.

Mr. SAYRE. May I comment on that?

Again you are faced with that sort of thing in the feed grain program. The person who cuts out of the Federal grain program, a voluntary program, and does not comply, he does not get price support, and it is a choice, and it is the sort of thing that you are saying. It is the man who is strong financially who can afford to do that.

Mr. OLSON. This is a compulsory program, and you are saying for any kind of price support at all, he has to cut back 10 percent. You have a voluntary program as you so aptly pointed out in the Federal grain program, and there is a lot of difference. You are forcing a reduction. The man in the Federal grain program that signs up does not reduce.

Mr. ABERNETHY. He has a voluntary program and as much acreage as he wants, and he has price support if he cuts back. He can either take a choice of planting the whole farm in feed, or cut back and get price support.

I think the two are comparable.

I do not want my questions to indicate I am opposing this thing. I think you have presented a good idea that is worthy of consideration before this committee, certainly from the standpoint of legislation that we have passed up to now with regard to other crops which are receiving payments for voluntarily reducing acreage.

Now, I have one other question and I am through.

You stated that this statement was made on behalf of certain groups. Was there opposition to this program from anyone sitting in your council, and if so, from what area?

Mr. RAY. I would say not necessarily opposition, they simply do not feel they can accept any of these alternatives, and they come from the high plains of Texas and the rolling plains of Texas.

Mr. ABERNETHY. How about the California group?

Mr. RAY. I mentioned the plains cottongrowers.

Mr. ABERNETHY. Did the California people sit in on that conference? Did they take a position on it?

Mr. RAY. Not as far as I know.

Mr. ABERNETHY. What about Missouri? Did they sit in on your conference and did they take a position on it?

Mr. RAY. No.

Mr. ABERNETHY. What about Tennessee?

Mr. RAY. No.

Mr. ABERNETHY. No Tennessee growers?

Mr. RAY. No.

Mr. ABERNETHY. You do not show anything for South Carolina. What about South Carolina?

Mr. HEIDELBERG. North Carolina, Virginia, South Carolina, Georgia, and Alabama, they are included together.

The CHAIRMAN. What do these people want?

Mr. RAY. I cannot testify to that. I do not represent them in this respect.

The CHAIRMAN. You submit five different propositions, and you say they do not agree to any of them. What help is it to the committee if they say they are against your proposition, but they do not come forward with anything else?

Mr. RAY. They feel their economic situation is such they cannot cut back their production.

The CHAIRMAN. And their economic situation makes them the most powerful cottongrowers in the country. They can grow all they want to grow.

Mr. RAY. I do not believe that is accurate.

Mr. ABERNETHY. What they want is what they have now?

Mr. RAY. That would be more accurate.

The CHAIRMAN. And that is the loan?

Mr. RAY. 29-cent loan and the present allotment.

The CHAIRMAN. And no cutback in acreage, and a 29-cent loan.

Mr. OLSON. I am trying to be helpful. Rather than making a defense statement for feed grains, I hope I can point this out—I am concerned about that fellow who would have to cut back because he has no other choice in cotton.

A while ago up here we had tremendous testimony against sale of allotments. Now, it seems to me that sale of allotments is all right. Someone is going to buy them. In the feed-grain program, we do not have release apportionment.

Mr. ABERNETHY. I still am confused.

As I understand, both the feed grain grower and the cottongrower begin with a basic acreage, feed grain with whatever he has normally been planting and the cottongrower with what he is allotted.

Now, the feed grain grower under his program may cut back a certain acreage and be paid. These gentlemen are proposing they may cut back certain acreage and be paid.

The CHAIRMAN. This fellow in the second proposal has to take a 10-percent cut to get the loan.

Mr. ABERNETHY. A feed grain grower has to take a cut to get a loan.

Mr. OLSON. He is probably not in the program. They cannot be apportioned to release to anyone else. It is these little things that lack in your production history and pattern. We have not upset the movement of feed grain acres. We are trying to cut them down. Here we are opening it up.

Mr. SAYRE. I think there is a dimension in this choice approach that has not been made clear. There are cottons that are in more demand in the market structure in this country and in the world than other cottons. The man who is producing those kinds of cotton in active demand now will be taking less risk by staying with his full allotment and giving up eligibility for the loan.

The CHAIRMAN. I know some people on the west coast that do not put any cotton in loan at all, they send it to the mill.

Mr. SAYRE. Mr. Chairman, it is in direct competition, however. You will find many mills in this country and many buyers selling abroad who will absolutely not deal in many qualities of cotton produced in this country. If you will look at the CCC stocks——

The CHAIRMAN. The House is in session and the roll is being called and we will adjourn this meeting until 2:30 with the understanding

we will wind it up in about 45 minutes. The committee will stand adjourned until 2:30.

(Thereupon, at 12:15 p.m., the committee recessed until 2:30 p.m. of the same day.)

AFTERNOON SESSION

Mr. CHAIRMAN. The committee will please be in order.

Mr. RAY, will you come back, please, sir.

Mr. RAY. Thank you, Mr. Chairman.

The CHAIRMAN. You had just about concluded your testimony, had you not?

Mr. RAY. I think so, sir, unless there are further questions.

The CHAIRMAN. Are there any further questions of Mr. Ray?

Mr. STALBAUM. Mr. Ray, when you appeared previously I believe I asked a question as to what the cost would be under the present program for an additional export of 1.5 million bales of cotton and you said you would provide that information for the record.

Mr. RAY. Mr. Stalbaum, we have attempted to do that, if we understand your question accurately.

Mr. STALBAUM. Has it been submitted for the record?

Mr. RAY. It has not been submitted for the record.

Mr. STALBAUM. I think there is a place in the record after the question for it, and if you have the information I would ask, Mr. Chairman, that it be included in the record at that point.

Mr. RAY. Dr. Sayre has this report.

Mr. STALBAUM. That is all I have.

Mr. GATHINGS. Mr. Chairman.

The CHAIRMAN. Mr. Gathings.

Mr. GATHINGS. Quite a lot was said before the lunch hour about paying a farmer 38½ cents a pound for cotton. I wanted to ask one of you gentlemen at the table whether or not that is the kind of program you brought to us. I do not think it is. I think under choice No. 5 you set out here, your fifth choice that a farmer may take, you would give him 29 cents per pound price support and give him a payment of 9 cents per pound provided he cuts back 40 percent on his acreage, and you would give him 9 cents per pound only on that 40 percent.

The CHAIRMAN. Look at No. 2 on page 7 having to do with effective allotments. The effective allotment is the total after he receives such cotton as he receives under the allocation program. Is that right?

Mr. RAY. That is right.

Mr. HEIDELBERG. But the 9-cent payment is only on the established normal yield for that farm on the 40 percent of acreage by which he reduces. It would not be 38 cents a pound on his total allotment.

The CHAIRMAN. If you were going to pay him 38 cents a pound on his normal production on his allocated acreage, that is one thing; but you pay it on his allocated acreage plus all he can reap out of the reapportionment program.

Suppose I go down here and pick up 10 acres and then I come under the program and get paid for coming under the program. On top of that I get 9 cents.

Mr. HEIDELBERG. Not on top of that, Mr. Chairman. Only on the established normal yield of what he takes out.

The CHAIRMAN. If you just make it on his normal yield on his allotted acreage, that is one thing; but you give him a bonus and pay him to take it out. I am trying to put the released and reapportioned acres to the best use I can because I know what it means. That section needs some further consideration.

Mr. GATHINGS. Dr. Sayre, would you enlighten us on that?

Mr. SAYRE. This proposed choice program to cut production back on individual farms under 16 million acres works on a release and reapportionment farm the same as on any other farm. Those who have been getting released and reapportioned acres would be cutting back from their plantings the same as other growers, and they are tooled up now under release and reapportionment to produce in that kind of production pattern.

The CHAIRMAN. But the point is, should you let a man receive something for nothing and then turn around and sell it back to the Government on the basis you set out in No. 5?

Mr. SAYRE. But the Government's gain is that it reduces actual production.

Mr. BELCHER. Mr. Chairman, I would like to have this release and reapportionment plan made a little clearer.

Mr. SAYRE. I would like to yield to Mr. Heidelberg.

Mr. BELCHER. How many acres are involved?

Mr. HEIDELBERG. In the belt as a whole, Mr. Belcher, 1,200,000 acres. What has happened in cotton more so, I believe, than in any other crop planted is that we have had long, long historical years of attrition and inheritance of land, in a changing economy, particularly in the old traditional Cotton Belt which runs all the way into central Texas. A lot of the acreage history for cotton, more so than in any other crop is still, by the laws of the United States passed in 1938, provided cotton history acreage to the land. Cotton history acreage is now in many places where people have evolved out of farming, even though they still own the land.

In 1959 this committee wisely accepted the premise and principle that people should lose or use their allotment. As a result of the minimum acreage laws that go way back into the early 1940's which provided history allotment at certain levels, it has been a provision or law that certain minimum acreage should be applied to certain levels of farm regardless of whether they were bona fide farm people or not. This was made a State responsibility rather than a national allotment responsibility. The larger allotments beyond the minimum have gradually been chipped away in order to supply this.

So, in 1959 this committee and the Congress recognized that the history allotment and the bona fide farmers had gotten separated. The farmer with the history acreage still has the privilege of maintaining his history acreage allotment, but he now has to do something with it. He can plant it or he can release it. He has to plant one-tenth of an acre every third year to maintain his status as an old cotton farmer.

This gets into intricacies of ASCS management, but he has to use it. He can release it for 1 year and it goes back to him the next year. If he fails to plant 3 years in succession he loses that history to his farm. This is the reason why we have the release and reapportionment program. It has been the difference between solvency and bankruptcy in many, many multitudes of family cotton farms.

The picture is distorted frequently out of misapprehension. I am sure this is not done deliberately, but it is distorted in that it is sometimes made to appear a program aggrandizing the large farms. But in North Carolina, after release and reapportionment, the average cotton allotment is still 9.5 acres. This has made the difference between people not becoming part of a poverty-stricken farm area but maintaining their dignity as farm people. It has gotten the allotment average not used by people who are earning their livelihood in other professions into the hands of people living on the land.

Does that explain it to you?

Mr. BELCHER. Yes. In the event the farmer releases that acreage, it is put in a pool, is that correct?

Mr. HEIDELBERG. In a sense it is released to the county ASCS committee for redistribution to farms that have applied for additional cotton acreage to plant.

Mr. BELCHER. As I understand, these releases are for 1 year only?

Mr. HEIDELBERG. One year only.

Mr. BELCHER. And you mentioned 3 years. At the end of 3 years what happens?

Mr. HEIDELBERG. Take, for example, if you were a cotton farmer and had a 4-acre allotment. If you do not plant it for 3 years the law provides you would cease to be an old cotton farmer. The history remains in that county and it is distributed to other farmers.

Mr. BELCHER. This acreage that is released and is allotted to other farmers becomes a part of their allotment?

Mr. HEIDELBERG. No, just for that 1 year.

Mr. BELCHER. Suppose they keep it 3 or 10 years?

Mr. HEIDELBERG. It never becomes a part of the history of the acquiring farm because the history is maintained on the releasing farm. It just goes back and forth, back and forth.

Mr. BELCHER. Is the chairman correct when he says that the county committee can allot 10 acres to a farmer which is purely on a temporary 1-year basis, and then he can put it in this program and receive payment for not planting the acreage given him by the county committee?

Mr. HEIDELBERG. Take, for example, a man who had a base allotment of 15 acres and the county committee apportioned 5 acres to him for the 1 year. He would have 20 acres. This would be his effective allotment that year.

Mr. BELCHER. What would be the excuse for allotting a man an additional 5 acres when he did not intend to plant cotton on it?

Mr. HEIDELBERG. We do not know he will do this. He has several choices. He can plant that 20 acres at no support price; he can reduce it by 10 percent and take the 9-cent support price; he can reduce it 20 percent and get payment, or he can reduce it 30 or 40 percent. But we propose to leave the decision in the hands of bona fide farmers.

Mr. BELCHER. I do not understand why you would allocate to him an additional 5 acres when he just wants to turn it back to the Government.

Mr. HEIDLEBERG. You are assuming he does not want to plant it. He might plant all 20 acres of it.

There is nothing new about this, Mr. Belcher. This has been the program for cotton since 1959. There is nothing new about it.

Mr. BELCHER. You have not been turning back to the Government since 1959 these additional allotments?

Mr. HEIDELBERG. No. We have been planting them. But under the domestic allotment program each farmer has had the choice. Our feeling is the choice should remain in the hands of bona fide farm people who are farming for the major part or all of their livelihood. You are presuming he will return it to the Government.

The CHAIRMAN. Why did you put all these choices in here?

Mr. HEIDELBERG. The main reason is because we are told the supply of cotton has got to be reduced and this is a vehicle for doing it. It is a form of a modified soil bank, but it keeps decisions in the hands of bona fide growers.

Mr. BELCHER. It seems to me the simplest way to reduce it is not give him the 5 acres to start with and then the Government wouldn't have to rent it back from him.

Mr. JONES. You said this release is factored back?

Mr. HEIDELBERG. I said the acreage factored back is in the case where there is a 3-year failure to plant or release. It is distributed by State ASCS committees on the basis of their own decisions in terms of request. Farmers come in and request acreage. They do not get, necessarily, what they request.

Mr. JONES. I will give you one case in North Carolina. In six counties there are 11,119 acres released. They presumably or actually could have been reapportioned within those counties where they were released?

Mr. HEIDELBERG. Whatever was requested would have been reapportioned. Acreage above that amount would have been sent to the State committee.

Mr. JONES. Then it goes in the State?

Mr. HEIDELBERG. That is right.

Mr. JONES. In some States—and I think it is apparent this has happened—in some States a farmer will have an allotment of 100 acres and then he will put in his request for reapportioned acres. He says he wants 50 more acres and he gets it. Now he takes 100 acres and he raises 100 bales on that and on the 50 additional acres he can raise 50 bales, but he says he will take advantage of the 40-percent provision and reduce the acreage by 40 percent or 60 acres, and he raises 90 bales and gets 29 cents for that. On the 60 acres he gets \$2,700. That would give him 29 cents plus 6 cents or 35 cents a pound, whereas the other people would get 29 cents a pound. I think Mr. Belcher has hit the nail on the head. I think you have a workable plan with one exception. I think you should say these released acres may not be used for the purpose of the established effective acreage that can be reduced.

The CHAIRMAN. I think you have made that clear. I think we should move on to something else.

Mr. GATHINGS. The gentleman has agreed with what the gentleman from Missouri says. What about it, Dr. Sayre?

Mr. SAYRE. You are saying now that a grocer who has been getting this released and reapportioned acreage since 1959 and who participated in the domestic allotment choice in the act of 1964, you are saying, "We will give you a choice but you have to go to a new base"?

The CHAIRMAN. You say the man has been doing this. This would not apply only to the man who has been doing this. It would apply to everybody.

Mr. HEIDELBERG. This thing has been going on long enough to be reasonably well stabilized.

The CHAIRMAN. He wants an additional 50 acres and the county committee gives it to him.

Mr. HEIDELBERG. Here I think there might be a practical consideration if a man has not been getting released and reapportioned acreage.

Mr. POAGE. I think I have as great interest in released and reapportioned acreage as anybody because in my district it is of vital importance.

Mr. JONES. Not in your district?

Mr. POAGE. Yes, in my district. In the district I have the honor to represent it has made much of our limited production practical. I think what you are doing is destroying release and reapportionment by insisting on something its fondest friends would agree is going too far. I would certainly agree with Mr. Jones that nobody should have something given to him and then sell it back to the Government. I think if you gentlemen will stop asking to drive another wedge and ask for something that is fair, that you will get further with this committee than by trying to slip something in here that we all know is going too far. I think this acreage belongs in the area where it was historically developed. But to give somebody something and then let them sell it back to the Government does not appeal to me at all.

Mr. HAGEN. How do you justify the payment of 4 cents a pound under the present program under the same ground rules? In other words, presently a farmer with reapportioned acres need only reduce his normal allotment planting to get a bonus support. He may not actually have reduced acres at all.

Mr. POAGE. What you are talking about is 4½ cents and that is paid to those who stay within their domestic allotment and is not given to those who continue to plant all they can plant. That is exactly what we have done for feed grain and corn and wheat. We have said that those who help us reduce the acreage will get extra help from the U.S. Government.

Mr. HAGEN. It is my understanding that in fact they do not have to cut back. They add the reapportioned acreage and as they cut back from their allotment they get this bonus whether or not their total plantings are lower than their normal allotment.

Mr. POAGE. If you had been listening to me a moment ago, I was trying to point out I wanted to throw in with you fellows on the proposition that nobody had a right to sell back to the Government acreage that the Government gave him. Whether in Texas or California, I do not believe in the Government giving you something and then buying it back from you. In my judgment when the Government gives you acres you have no business selling them back to the Government. The Government gives you those acres in order to produce cotton on them.

The CHAIRMAN. Let us move on.

Mr. HAGEN. I think we have to change the present law governing this bonus business. I was interested in something the witness said. It was always my understanding when a grower failed to plant or release, that that acreage was subtracted from his history and that of the county and State.

Mr. HEIDELBERG. In any year when a cotton allotment holder fails to plant or to release his cotton allotment the next year his base allot-

ment is reduced by 50 percent and is lost to the farm, to the county, and to the State.

Mr. HAGEN. So if he fails to plant and to release, it is lost to the farm, the county, and the State?

Mr. HEIDELBERG. Yes.

Mr. HAGEN. But if he releases, it is not lost to him or to the county or to the State?

Mr. HEIDELBERG. That is correct.

Mr. HAGEN. The justification for this release and reapportionment is not rational except, perhaps, to use for farmers who had to give up acres to so-called small farms. By virtue of this minimum acreage provision, 10 acres or whatever it is, certain growers in certain States like North Carolina were forced to give a certain percentage of their acreage to take care of the minimum acre farm. Is that right?

Mr. HEIDELBERG. In the 1958 act there was a provision for a 310,000-acre national reserve. So whatever it does not provide has to come out of the State allotment. This was not true before 1958.

Mr. HAGEN. If there were to be a provision written into the law to restore these growers who have been contributing in North Carolina and elsewhere to this small farm allotment, restore them to their original position, would you support an abolishment of this release and reapportionment?

Mr. HEIDELBERG. I could not give you a snap judgment. I do not think there is any way humanly possible to go back through the years and find out quickly. It would take a tremendous job on the part of ASCS people to do this. But you are getting close to a point I want to raise in respect to the 100-acre man who had gotten 50 acres of released cotton. In most cases in the area in which I live, this 100-acre man about 10 or 12 years ago had a 200-acre allotment. He has lost 100 acres of allotment by provisions which this committee made into law.

Mr. HAGEN. If he has lost that 100 acres, and if we restore him the 200 acres he originally had, would you support the abolishment of this release and reapportionment which in my judgment no one can justify except on the premise of correcting an evil which was corrected by the same advocates as those who support release and reapportionment. California supported neither evil.

Mr. HEIDELBERG. That is a matter of opinion. I would be foolish to give you a quick answer. I would be glad to come by your office later and talk it over with you.

Mr. HAGEN. If this committee did nothing else but abolish this release and reapportionment, we could do a great deal to save the Government a tremendous amount of money.

Mr. ABERNETHY. I will support abolition of release and reapportionment if the gentleman from California will go back and give us the quantity of acres that we built up under our own history and they took away from us in 1953.

Mr. HEIDELBERG. I think this whole thing needs to be explored, Mr. Abernethy.

Mr. ABERNETHY. They took acres out of North Carolina and gave them to California.

Mr. HAGEN. Under what formula?

The CHAIRMAN. Black Jack.

Mr. HAGEN. To what do you refer?

Mr. ABERNETHY. They passed a law and took it away from me and gave it to you.

If you will reallocate to the Eastern States, or Southeastern States and Texas the acreage which they would be entitled to under the formula that you changed in 1953, give that acreage to us, we will agree to abolish release and apportionment.

Mr. HAGEN. In reply to your charge, let me say that you have singled out the only case of special equity for western cotton growers in the long history of the cotton law. On the reverse side there are numerous instances of inequities imposed on us in spite of the fact that we grow top-quality cotton and do not sell it to the Government.

As examples of the latter premise, I point to the deliberate omission of the year 1949 for purposes of allocating acreage among the States—1949 was a free year and a big California year, so it was deliberately left out of the formula. Let me cite the 310,000-acre national reserve for small farms which has added greatly to the surplus and was designed to benefit the South. Let me cite the various minimum farm allotment provisions over the years which have an identical regional impact. Let me cite the provisions saying no allotment in certain years shall be cut below a previous year's allotment. Let me cite the release and reallocation provisions of the law which are designed to benefit the Old South and which have had sufficient impact to create our present surplus. If these provisions had not been in the law we would not have our present surplus problem.

The CHAIRMAN. What is the question?

Mr. HEIDELBERG. Give me a benchmark year in which to come back and give you an answer.

Mr. HAGEN. We will trade the 1953 provision for inclusion of 1949 in the 5-year formula, retroactively.

Mr. HEIDELBERG. If you go back to the year 1938 I think North Carolina was planting about 1.5 million acres. We would be willing to take 1.5 million acres.

Mr. HAGEN. Arizona would like to have a retroactive quota on cattle production.

The CHAIRMAN. Let's get back to cotton.

We thank you gentlemen very much.

We will hear from our distinguished colleague from South Carolina, Congressman W. J. Bryan Dorn.

STATEMENT OF HON. W. J. BRYAN DORN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH CAROLINA

Mr. DORN. I would like to say to the members of the committee that I appear here as secretary of our informal House Textile Committee, this committee that you and Mr. Abernethy are so familiar with.

I might say that over the years we have worked very closely with Senator Pastore's committee in the U.S. Senate, and as secretary to Carl Vinson I was in on virtually every conference pertaining to the textile industry and its depressed condition.

I first appeared before the Democratic platform committee in Chicago in 1956 and brought this depressed condition of the textile industry of the United States to the attention of that committee.

Again I appeared in Los Angeles in 1960, when our backs were really to the wall and brought this situation to the attention of the Democratic platform committee.

This has been a long fight. I have been warned not to get off the train in some areas of the country because of unemployment in the textile mills. The conductor said, "Stay on the train." This is part of the story.

There has been a winning fight to save this great industry so vital to 1.5 million people. It has been a long story and a hard fight. I have had people from England and all over the world come to me asking me to brief them on how it came about.

I believe 700 textile mills closed in this country in the 10-year period following World War II. There were thousands of unemployed textile workers and thousands of others working 3 days a week. The third shift was eliminated.

We went to the Tariff Commission asking for relief. We did not get any relief. Everyone agreed that the textile industry was and is today essential to the national defense. I want to thank this committee, every single member of this committee, who over the years considered legislation and finally last year came up with a bill that has been successful in doing the things this committee said it would do—No. 1, consume more cotton.

I have been in many textile mills since Congress adjourned last fall and I have seen the cotton moving through the warehouses, coming in on the trucks into the rooms where it is woven. I know we are consuming more cotton. Every statistic points to that fact.

Mr. Chairman, I have talked to Mr. Cannon of North Carolina. I have visited their plants. They are using more cotton. This has the inevitable effect of helping the cotton farmer stay on the land and stay out of the cities where the exodus has been for the last 30 years. This is helping America.

Instead of unemployment in the textile industry, we now have approximately 30,000 more employees than when this committee and the House passed the cotton bill last year. That does not tell the full story.

What about the workweek of 136 hours for three shifts. Instead of working 42 and 43 hours a week, we are now working more than 45 hours a week, with time and a half for overtime. This puts purchasing power in the hands of a group of people who did not have adequate purchasing power for many years.

The textile industry is purchasing new machinery, building new plants. They are having their greatest expansion, thus proving the fact this legislation was wise and sound.

We talk about subsidies. This is not subsidy to the textile industry. Its only justice and equalization. For many years they had to compete with Japan, who was getting this cotton at 8.5 cents a pound less than our own textile industry.

Now, Mr. Chairman, I want to say I came here in support of H.R. 8149, a bill which would continue one-price cotton, permit our industry to consume more and more American cotton, to make us more competitive in the markets of the world and will continue this great spiral of prosperity enjoyed by our textile industry. I do not think there is any question about it. Not only that, the States where the textile

industry is located are importers, from the other areas of the United States, of beef, pork, flour, and virtually every agricultural commodity you can think of.

We are bringing in these products and we are buying more of them in addition to consuming more cotton. So your bill, Mr. Chairman, did help agriculture all over this country.

I want to commend you for it. It was at a time when every single country in the world except the United States was encouraging more and more production of agricultural products. More cotton, if you please, all over the world. Here you have come up with a bill that has made it possible for the American farmer to sell more cotton, for the American textile industry can consume more and it has put our people back to work.

I want to say this: I know what we have done over the years in helping Japan. I am not critical of Japan, but I do know this, they have no unemployment whatsoever in their textile industry, or in any other major industry today.

How will we look before this country and the world if we go back to two-price cotton when our major competitor has no major unemployment?

The CHAIRMAN. And Japan is our best customer for raw cotton?

Mr. DORN. Yes.

Germany sent out a notice last fall they wanted skilled workers from this country and from all over the world because they had no unemployment.

Now, some people want to go back to two-price cotton with 4.5 million unemployed. And for the first time in years our textile industry is getting on its feet. That is the great question before this committee.

I come here to tell you I know what I am talking about because I have been in this fight for many, many years to try to save a vital industry. You gentlemen have contributed to saving that industry. I do not want to see this country, or Congress, return to this ridiculous two-price cotton system. I come here to thank you and express the hope you will pass this bill and the Congress will pass it. It has been successful.

The CHAIRMAN. Thank you very much.

Mr. GATHINGS. I want to commend the gentleman from South Carolina for a splendid statement.

If we continue with the one-price system for cotton and come up with some other provisions, you would approve it just as well?

Mr. DORN. Yes. I would not dare to be so presumptuous as to try to tell any member of this committee who has dealt with this problem for many years exactly what form the bill should take.

I think the majority of this committee is for a one-price cotton bill. As for one bill or the other, I would not suggest. I have every confidence in the committee. You work out something.

Mr. GATHINGS. There have been several plans presented to us.

Mr. DORN. I am afraid arguments like I have heard today might leave some doubts in the minds of the American people. I hope we will get back to the main point, and that is, the bill has been successful in increasing the consumption of cotton.

Mr. GATHINGS. We understand the mills are our best customer.

Mr. DORN. Right.

Mr. GATHINGS. We have in mind taking into consideration the man who grows the cotton.

Mr. DORN. And you are talking to a man who has picked more cotton than any member of the committee.

The CHAIRMAN. Thank you very much.

Mr. Reynolds, you represent the small farmers of California, I suppose.

**STATEMENT OF JOHN ARTHUR REYNOLDS, EXECUTIVE VICE
PRESIDENT, WESTERN COTTON GROWERS ASSOCIATION OF
CALIFORNIA**

Mr. REYNOLDS. Mr. Chairman and members of the committee, my name is John Arthur Reynolds. I live in Fresno, Calif. I am executive vice president of the Western Cotton Growers Association of California. I thank you all for the privilege of appearing here.

I wish to present the rough outline of a proposal unanimously adopted by the boards of directors of our association and of the Imperial Valley Growers Association. I ask your permission to read first a prepared statement.

I do not know whether it has been said before, but I wish to say now that the cotton industry should be grateful to the distinguished chairman of this committee for having brought this whole matter of cotton legislation out in the open for discussion. He got the industry off dead center. In announcing his bill, the chairman stated that he welcomed, and indeed wanted, suggestions from various groups, and that he was not wedded to any particular portions of his bill. It is in this spirit that we present our proposals.

I also feel that the Department of Agriculture, which is often maligned, has performed a real service to the industry and to the Congress in presenting the seriousness of the situation, the need for immediate action, and for bringing out the facts which, however disagreeable they are, must be faced by the industry and the Congress.

I would like to preface our proposals with a brief general statement. It is easy to look back and see mistakes.

First of all, it seems apparent that for a number of years the high price supports for cotton in this country held the umbrella over foreign producers and enabled them to vastly increase their production and take our markets away from us. Furthermore, the restrictions on American production plus the umbrella over foreign production forced American capital abroad, often aided by many millions of U.S. Government funds, in the development of cotton-producing areas in the world.

Second, the high price of cotton at home held the umbrella over synthetic products and they stepped in with lower prices and newer fibers and aggressive advertising to capture much of the domestic market.

The export subsidy enacted some years ago did help, of course, in protecting our export market. And the equalization fee passed last year has been a great factor in regaining lost domestic markets. Yet in spite of both of these things, and in spite of the hundreds of millions of dollars of taxpayers' money poured out through them, we have now reached the critical situation so ably presented by the Under Secre-

tary of Agriculture, Mr. Murphy, in this testimony. We are simply faced, if nothing is done, with the largest carryover in the history of the cotton industry, and with the largest pile of Government-owned cotton in the history of the world.

We think that it has been made abundantly clear that:

- (1) The cost of the cotton program must be reduced, and
- (2) Government stocks must be reduced.

With these two premises, we agree and we feel that they can be accomplished, one, within the general principle of existing legislation, including that passed in 1964; and two, without drastic compulsory reductions and restrictions.

In analyzing the buildup of Government-held cotton and the increase of the carryover, we see three things responsible for them.

First, in spite of the continual buildup of these stocks there has been no attractive avenue open for growers who do not really want to grow cotton on their allotments. There are actually millions of such acres. There has been no simple acreage diversion program whereby growers, had they wished to do so, could have left the cotton areas unplanted without loss of history for a small payment, and thereby saved the Government huge amounts of money and prevented the buildup of Government stocks. Quite the contrary. The program has told every grower in this Nation, either you plant your allotment yourself or give it to some other grower who must plant it, or you lose it. And this was done, gentlemen, year after year, when Government stocks and carryover were rising.

Second, in the face of stiff competition from synthetic fibers, the cotton program has given little incentive to growers to produce better qualities and better varieties of cotton to meet that competition. It has not said to growers, "If you can produce a better cotton which the textile mills will buy in preference to synthetics, you can produce more of it." Quite the contrary. The Federal loan program, which has its advantages, has had the great disadvantage of providing a safe Government market for virtually all cotton that could be grown on the allotted acreage.

Third, in spite of the competition of lower price synthetics, the cotton programs have not given incentives to the efficient producers to expand production and reduce costs. To a grower who was willing to grow more cotton for a smaller Government subsidy the program has not said "God bless you," except during the program of the A and B Act in 1959-60, and to some extent, the domestic allotments plan of 1964. Quite the contrary, the program has generally been to require every cottongrower to produce cotton at exactly the same cost to the taxpayer.

Fourth, our policy has said to the American cottongrower that he cannot compete in the foreign market on his own. Through the export subsidy program and the acreage restriction program, actually the Commodity Credit Corporation has been the dominant factor in our exports.

I might say today in California there are cottongrowers whose acreage is restricted too, last month were in Guatemala, to set up cotton plantations so they could grow for the world market.

We, therefore, Mr. Chairman, in answer to your request for suggestions on how to improve the cotton program, and for ideas which may

differ from those suggested in your bill, wish to suggest the broad outlines of a program which would:

- (1) reduce the cost of the cotton program to the taxpayers;
- (2) reduce the mounting Government-held stocks and the carry-over;
- (3) give farmers the greatest freedom of choice and the least compulsion;
- (4) encourage growers who can produce for a lower cost to the Government;
- (5) encourage growers who wish to produce qualities and varieties of cotton which the textile mills want;
- (6) enable our growers to compete on their own in the world market to the extent they wish to do so; and
- (7) to enable any grower who wishes to forgo all the benefits of the program, forgo all subsidies, all Government loans, to be able to produce at the world price without Government restrictions.

We suggest for consideration, therefore, a growers' choice domestic allotment program, a departure from all the other testimony. We have not put this into technical language, and we know that we have not covered all the problems involved, but the broad points are as follows:

- (1) Start with the present 16 million acre minimum national allotment.

- (2) Assign each grower a domestic allotment as under the present law.

- (3) Give him a loan of 29 cents a pound, a 29-cent-a-pound support price, and a direct payment of 5 cents a pound on the production from his domestic allotment. He would not be required to sell his cotton out of the loan to get the 29-cent support price and the 5-cent payment.

- (4) The equalization fee, the difference between the world price and 29 cents a pound, to be paid either as it is now, under present legislation to the buyer, or to the grower directly if he wished to take it in addition to the domestic allotment payment. The equalization fee, however, would be paid only on the production from domestic allotments.

- (5) The rest of the growers' allotment, roughly 35 percent, would be free market allotment. On production from these acres the grower would receive no loan, no subsidy, and no equalization fee. And he could sell his cotton at the world price either at home or abroad.

- (6) Any grower who wished to surrender all his domestic allotment for any year and take no loan and no payment and no subsidy of any kind on any of his production, could plant and sell without restriction. In other words, we would be giving him the same rights which the Mexican grower has now, to grow cotton without restriction and without any benefits or help from the U.S. taxpayers.

- (7) Any grower who wished to leave unplanted, and keep his history, any portion or all of his domestic allotment in any year would receive not less than 5 cents a pound on production thereby curtailed. Under present legislation he receives 10 cents a pound, Government subsidy, either directly or indirectly, for planting it and producing it.

This would be a great saving to the taxpayers who, had the grower produced the cotton under the present type of legislation, would have had to pay out over twice as much money. In other words, this gives

the grower a choice if he wants to take it of reducing his production, getting some cash to maintain his income, and saving the taxpayers a lot of money.

(8) Any grower who felt that he could improve his economic position by going completely out of the cotton program and save the taxpayers money could surrender his allotment to the Federal Government for not less than half of what it would cost the taxpayers to price-support him under the type of legislation we have now. In other words, we propose that any grower who wishes to surrender his cotton allotment to the Government could receive not less than \$100 an acre, depending on his per acre production. Such acreage surrendered would be removed from future farm, county, State, and national minimum allotments permanently.

(9) We propose two national reserves of not less than 200,000 acres each; one to take care of hardship cases as now distributed among domestic allotment producers, and the other to provide additional acres to growers who wish to increase their free market export production at no cost to the Government distributed as per the export market acres planted last year.

There are, of course, as the members of this committee can easily see, a number of unresolved questions which we hope to help solve.

However, we feel this general program has the following advantages:

1. It will give a grower a number of choices:

A. He can produce his domestic allotment with a high subsidy and produce none on the free market. This will maintain his income.

B. He can produce his domestic allotment with a higher subsidy and in addition all or a portion of the free market allotment, as best suits his individual situation for no subsidy.

This will provide elbow room for the efficient producers across the belt and for those growers who are producing qualities and varieties which the textile mills want.

C. He cannot plant all or part of his domestic allotment as best suits his circumstances, for a cash payment for the unplanted acres without loss of history.

D. He can plant no cotton and still protect his history.

One thing our cotton programs have done, they have forced every acre of cotton into production with surpluses mounting every year.

E. He can surrender to the Government for a payment which would save the taxpayers money all or a portion of his cotton allotment.

F. He can release his allotment and keep his history, as is now the case.

2. This program would reduce production, reduce the Government-held stocks and reduce the carryover because:

(a) some growers would choose not to plant their full free market allotment;

(b) some would take the smaller payment for not planting, and,

(c) some would completely sell out their allotment to the Government.

3. The program would reduce the cost to the Government. Every acre which received the 5 cents payment and every acre sold out for \$100 would cut the present actual cost in half. Every million bale reduction in production resulting from these and failure to plant

free market allotment would mean a vast profit to the Commodity Credit Corporation and the taxpayers, because there would be no increase in stocks and because sale through the export sales of Government-held cotton stocks would bring cash to the CCC.

4. The benefits which the act of 1964 achieved in the domestic market through one price cotton and the equalization fee would be continued.

Among the unresolved problems are the following:

- (1) The resale price of CCC stocks at home and abroad;
- (2) The loan rate or the world price for growers who would elect to take both the equalization fee and the domestic allotment payment directly;
- (3) There are others.

What amount of acreage would be necessary to be diverted through these three methods to reduce stock? What would be planted on the land diverted.

In addition, we recognize that things are not as simple as they seem and that there are difficulties and problems and there must be give and take in the suggestions we have made. But such are present in any program. We offer our help and cooperation to this committee, to the Department of Agriculture, to other cottongrower organizations and to other branches of the cotton industry in seeking an acceptable solution along these lines.

The CHAIRMAN. Thank you very much, Mr. Reynolds, for your well-prepared statement.

Are there any questions?

I think that winds up the hearings unless there are some further comments.

I will assure you that the committee does appreciate this statement of yours. It will be considered when we go into executive session, which we hope will be in the not too distant future. Thank you very much.

Does anyone else desire to be heard? If so speak now, or forever hereafter hold your peace.

The meeting stands adjourned.

Mr. HAGEN. I do not think it has been demonstrated that this present program has really resulted in increased cotton consumption domestically. Apparently it has not reduced imports or slowed the growing use of synthetics. I want to say I do not think we are going to get any kind of a cotton program passed at all in the face of obvious factors of opposition unless these growers among themselves agree on a program and a program that will do equity to all sections of the Cotton Belt. I do not think this present program has been the huge success that some people say it has been. Among other things it has not significantly reduced the cost of textiles. The burden should be on the representatives of cotton mill districts to develop an economic workable program.

The CHAIRMAN. Thank you very much for your observations, Mr. Hagen. Without objection, we stand adjourned.

(The following statements, letters, and telegrams have been submitted to the subcommittee:)

STATEMENT OF EMERY BLACKMAN, EXECUTIVE SECRETARY, OLD COTTON BELT
ASSOCIATION OF TEXAS

In view of a most urgent need for legislation to maintain a healthy cotton economy, the Old Cotton Belt Association submits a program which we feel is fair and equitable to all areas and segments of the cotton industry.

This program will allow producers to make a choice of producing cotton for domestic consumption only, or, allow full land usage to other producers for those producing under their effective allotment. This program will enable the American cotton producer to retain his present share of the world's cotton acreage, since the American producer has reduced his plantings from 42 million acres some few years ago.

In view that this would be a new approach to our past cotton programs, we recommend legislation for a period of 5 years, which will give sufficient time for the program to function properly.

This program will maintain farm income, reduce cost to the Government, and reduce surplus cotton.

We submit the following proposal, as follows :

1. National allotment of 16 million acres. Reduction in acreage will increase cost of production.

2. A price support of 22 cents per pound. Basis : Middling 1 inch.

3. Payments of 12 cents per pound. Production payments on 67 percent of actual production produced from effective allotment. This is considered domestic production.

(a) Adjust production payments on basis of parity increases or reductions annually.

(b) Should production costs be lowered, adjustment in production payments be made to reduce cost of program.

4. An effective allotment should be the final allotment after release and reapportionment.

5. An accelerated export program of 7 million bales.

6. Added usages for cotton :

(a) Initiate additional consumption of cotton by usage in the poverty program by furnishing needy citizens with clothing, bedding, and household goods produced by our American textile mills, and raising standard of living of our distressed citizens. In addition, make available to people in disaster areas like cotton goods when area is struck by such misfortunes.

(b) Through our foreign aid programs to depressed and underdeveloped areas of the world, furnish people with cotton goods processed by our American mills. In the event American mills are unable to process surplus CCC cotton, negotiate with friendly nations to process cotton into cotton goods for final distribution through our foreign aid programs.

7. Accelerate research for cotton usages, and to reduce cost of production of cotton.

8. A holder of an allotment producing only domestic cotton shall be credited with planting his full allotment when planting 67 percent of his effective allotment.

9. On acreage reduced by domestic producers, no price-supported crop may be harvested for sale.

10. On acreage reduced by the domestic producer, increased ACP payments be made to encourage soil conservation and other land usages.

11. Regulations and procedures must be simple.

Other comments in relation to the bill :

A. Release and reapportionment must be retained to allow needed adjustments in many areas throughout the Cotton Belt.

B. Skip-row planting should be retained in areas where producers have historically "skip rowed" for water, wind, and soil conservation.

C. Soil bank programs have created nothing but problems for a farmer. City investors have bought land and let our Government bear the expense of paying for it. Through programs such as this, the economy has been destroyed in many rural areas. Production costs and property losses have been increased from hazards of weeds, grasses, insects, varmints, fires, and many other objectional features. Soil and water conservation losses are high on this land due to neglect and apathy. Only the landowners benefit as generally producers have been forced to leave this land. Our schools, churches, merchants, as well as labor, have suffered. Soil bank land gives the impression of waste and the appearance of an abandoned countryside. Soil bank programs destroy initiative. Idle,

eroded, infested, wasted, but, nevertheless, valuable land produces no new income, taxes, prosperity, employment, and encouragement to the basic farmer.

D. Sale or lease of cotton acreage will create unnecessary financial hardship to many farmers. Small producers cannot compete financially with large producers for acreage. Such a regulation will increase production and will be impossible to administer, resulting in utter confusion and friction between farmers, and sections of the country opening new areas of production. Production costs will be increased through such a program. Problems in landlord-tenant operations and relations will also be created. Due to past methods of distribution of acreage many producers who furnished small allotment holders acreage will be forced to buy back their original acres. This will create an additional hardship for many producers as they are financially unable to purchase such acreage.

MISSISSIPPI COUNTY FARM BUREAU,
Osceola, Ark., June 16, 1965.

Hon. E. C. GATHINGS,
Representative of Arkansas,
Rayburn Office Building,
Washington, D.C.

DEAR REPRESENTATIVE GATHINGS: At a meeting of the Executive Committee and National Affairs Committee of the Mississippi County Farm Bureau, to discuss proposed cotton legislation being considered presently by Congress, the following proposals were adopted:

(1) We are unanimously opposed to the provisions set forth in the Cooley cotton bill now being discussed in Washington.

It would be bad for the farmer because the Federal Government would be supplying a large part of his income with direct subsidy payments. In fact, farmers would be at the mercy of the Government, because they can lower payments as well as raise them.

Then if the farmer wants to qualify for a second Federal direct payment, he must reduce his allotment by one-third. That leaves our man who originally had 100 acres with a little over 50 acres.

But the community would really feel the effect of this Cooley program, because it cuts allotments 2 million acres of 12½ percent. When allotments are cut, the impact is shared by ginner, agricultural supply stores, implement and auto dealers, oil and gas representatives, banks and credit agencies. Indirectly the whole community experiences an economic slump.

(2) We strongly recommend that the Secretary of Agriculture use all means at his disposal to regain and maintain our fair share of the export market.

(3) We favor raising the CCC release price from 105 to 115 percent of loan level plus carrying charges.

(4) We oppose compensatory payments to be made directly to farmers.

(5) We favor retaining the 16-million-acre upland cotton allotment.

(6) We favor a plan which would authorize the Secretary of Agriculture to purchase cotton allotment over a 3-year period from growers who desire to permanently relinquish their cotton allotment.

(7) We recommend that research funds proposed in the present cotton legislation be made available immediately and that additional cotton research funds be appropriated as needed.

Very truly yours,

RICHARD "BILL" CROMER, *President.*

AMERICAN FEDERATION OF LABOR &
CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D.C., June 17, 1965.

Hon. HAROLD D. COOLEY,
Chairman, Agriculture Committee,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: I understand that testimony has been presented before your committee by several textile manufacturers to the effect that wage increases have absorbed most of the additional income which the owners of textiles receive from the one-price cotton bill.

I am enclosing with this letter several statements from the Textile Workers Union of America which substantially refutes this argument. We would like very much to have this material made part of the hearing record.

Thanking you for your cooperation, I am,

Sincerely yours,

ANDREW J. BIEMILLER,
Director, Department of Legislation.

Enclosures.

TEXTILE WORKERS UNION OF AMERICA (TWUA), RESEARCH DEPARTMENT,
NEW YORK, N.Y.

TEXTILE PRICES, WAGES, AND PROFITS UNDER ONE-PRICE COTTON

The assertion that textile prices have not decreased under one-price cotton due to wage increases, is not supported by the facts.¹

1. TWUA Research Department reports of September 1964 (exhibits I and II) indicate that cotton cloth and yarn mills could have granted across-the-board wage increases of 25 percent and still have retained over one-half the benefits of the one-price subsidy. The research reports were prepared at a time when prices had declined slightly. These declines were considered in computing the disposition of the subsidy on the assumption that the price reductions would be permanent. On the contrary, prices have rebounded to levels higher than those in effect just prior to the legislation, with the result that the studies understate the amount of subsidy that the mills would retain, assuming a 25-percent wage increase.

2. The bulk of the one-price cotton subsidy has been retained by the mills. The financial performance of the industry in 1964 was reported in the Wall Street Journal on February 10, 1965 (exhibit III) and in a TWUA Research Department report dated May 10, 1965 (exhibit IV). Industry profits before taxes were up over \$200 million (31 percent) and after taxes, by 43 percent. Mill margins (the difference between the price of cloth and the cost of cotton) were up 9.07 cents per pound in January 1965 over the prelegislation margin (January 1964). This is in excess of the 9-cent-per-pound subsidy provided by the bill (indicating a price increase) and is 34 percent above the January 1964 margin. See exhibit V—Research “Fact Sheet on Effects of One-Price Cotton Law” (March 1965) for a documentation of the increase in mill margins, and other effects of the legislation.

3. Wage increases granted by the industry over the last 2 years did not provide a justification for not sharing the benefits of the legislation.

(a) A 5-percent increase in the South was granted in the fall of 1963, prior to the legislation, as a result of the TWUA campaign for higher wages. This was effected in the North in April 1964. Neither was a product of the legislation.

(b) A 5-percent increase was granted in the South in the fall of 1964, and another 5-percent increase is currently being effected in the South. These increases have been publicized by the industry as sharing the fruits of the subsidy (they amount to less than one-fifth of the subsidy for cotton cloth and yarn mills) but other considerations are apparent. A Daily News Record article of June 3, 1965 (exhibit VI) is entitled “Recent Wage Hikes Laid to Dearth of Trained Workers” and discusses the industry’s problem of obtaining skilled help. (This is not surprising in that average hourly earnings in textiles are at the bottom of the manufacturing industries—75 cents below the average for all manufacturing in 1964.) The granting of the most recent increase at a time when the mills are being queried by Congress as to the disposition of the subsidy casts suspicion as to the motivation behind this action. In addition, the current wage hike has been used as an excuse to (further) increase prices, according to the Daily News Record of May 20, 1965 (exhibit VII).

¹ The Textile Workers Union of America research staff has followed the performance of the industry since passage of this legislation, through reports of the BLS, Department of Commerce, Department of Agriculture, FTC, SEC, and a variety of other sources.

The executive council of the Textile Workers Union has followed developments closely since passage of the bill, which it strongly advocated, and has become sufficiently disturbed by the conduct of the mills to issue the attached statement (exhibit VIII) on "One-Price Cotton and Textile Wages" calling for "serious reflection on how this program has operated."

Since the passage of the bill, prices have gone up. Wage increases have been modest under the circumstances and only partially attributable to the subsidy. The 1964 textile profits have increased by 43 percent with 1965 results even better. The textile mills must look to themselves for reneging on benefits to the consumer through lower prices from the sizable one-price cotton subsidy.

TEXTILE PRICES, WAGES, AND PROFITS UNDER ONE-PRICE COTTON

LIST OF EXHIBITS

Exhibit I. Comparison of the Cost of a 25-Percent Wage Increase With the Net Savings to Cotton Cloth Mills Under the One-Price Cotton Law (TWUA Research I No. 352).

Exhibit II. Comparison of the Cost of a 25-Percent Wage Increase With the Net Savings to Carded Cotton Yarn Mills Under the One-Price Cotton Law (TWUA Research I No. 352-A).

Exhibit III. Textiles Get Brighter: Mills in 1964 Had One of Best Years Since Early 1950's, With Help of Cotton Bill; Profit Gains Spur Stocks (The Wall Street Journal, Feb. 10, 1965) (not printed).

Exhibit IV. Textile Profits Reached Highest Level Since 1950 in 1964 and Are Continuing Sharp Rise in 1965 (Report to TWUA Executive Council, by TWUA Research, May 10, 1965).

Exhibit V. Fact Sheet on Effects of One-Price Cotton Law (TWUA Research, I No. 258-K, Rev.).

Exhibit VI. Recent Wage Hikes Laid to Dearth of Trained Workers (Daily News Record, June 3, 1965) (not printed).

Exhibit VI-A. Labor Lack Hits Some Mills' Production (June 15, 1965, DNR) (not printed).

Exhibit VII. Mills' Wage Hike Action Starts Price Rise Reaction (Daily News Record, May 20, 1965) (not printed).

Exhibit VIII. One-Price Cotton and Textile Wages (Statement of TWUA Executive Council).

TABLE II.—*Comparison of the cost of a 25-percent wage increase with the net savings to cotton cloth mills under the one-price cotton law*

	<i>Cents per pound of cotton</i>
A. Cost of a 25-percent wage increase:	
(1) Average cloth price, August 1964 ¹ -----	61.00
(2) Estimated wage cost per pound ² -----	13.4
(3) 25 percent of wage cost per pound-----	3.35
B. Net savings under one-price cotton law:	
(1) Government equalization payment per pound-----	6.5
(2) Reduction in support price, Aug. 1, 1964-----	2.5
(3) Reduction in average cloth price per pound, March 1964 to August 1964 ¹ -----	1.5
(4) Net savings per pound ((1) plus (2) minus (3))-----	7.5
C. Difference between cost of a 25-percent wage increase and net savings under one-price cotton law:	
(1) Cents per pound of cotton (B(4) minus A(3))-----	4.15
(2) Proportion of net savings which would remain after payment of a 25-percent wage increase (C(1) as a percent of B(3))--percent--	55

¹ Average value of 20 constructions of cloth obtainable from a pound of cotton as published by the U.S. Department of Agriculture.

² Based on ratio of wages to value of shipments for cotton weaving mills, 1962, as reported by the U.S. Bureau of the Census (22 percent).

EXHIBIT II

TABLE I.—Comparison of the cost of a 25-percent wage increase with the net savings to carded cotton yarn mills under the one-price cotton law

[Cents per pound of cotton]

	10/1 weaving yarn	20/1 knitting yarn	30/1 knitting yarn	Average ⁴
A. Cost of a 25-percent wage increase:				
(1) Average yarn price:				
(a) Per pound of yarn.....	55.1	58.7	66.4	60.0
(b) Per pound of cotton ¹	48.3	51.5	58.2	52.6
(2) Estimated ratio of wage costs to value of product ²	.16	.18	.20	.18
(3) Estimated wage cost per lb. of cotton ((1)(b) times (2)).....	7.7	9.3	11.6	9.5
(4) 25-percent of wage cost per pound of cotton.....	1.9	2.3	2.9	2.4
B. Net savings under 1-price cotton law:				
(1) Government equalization payment.....	6.5	6.5	6.5	6.5
(2) Reduction in support price, Aug. 1, 1964.....	2.5	2.5	2.5	2.5
(3) Reduction in average yarn price per pound of cotton, March 1964 to August 1964 ³	3.9	3.9	3.7	3.8
(4) Net savings per pound of cotton ((1) + (2) - (3)).....	5.1	5.1	5.3	5.2
C. Difference between cost of a 25-percent wage increase and net savings under 1-price cotton law:				
(1) Cents per pound of cotton (B (4) minus A (4)).....	3.2	2.8	2.4	2.8
(2) Proportion of net savings which would remain after payment of 25-percent wage increase (C (1) as a percent of B (4)) percent.....	63	55	45	54

¹ Price per pound of yarn divided by 1.14 (gross waste factor estimated by U.S. Department of Agriculture).
² Based on ratio of wages to value of shipments for cotton yarn mills, 1962, as reported by U.S. Bureau of the Census (17 percent), adjusted for differences related to fineness of yarn, as reported by U.S. Department of Agriculture.
³ Computed by applying gross waste factor (1.14) to average yarn prices reported by U.S. Bureau of Labor Statistics.
⁴ Average of 3 yarns shown above.

EXHIBIT IV

REPORT OF THE RESEARCH DEPARTMENT TO THE EXECUTIVE COUNCIL, TEXTILE WORKERS UNION OF AMERICA, AFL-CIO, CLC

TEXTILE PROFITS REACHED HIGHEST LEVEL SINCE 1950 IN 1964 AND ARE CONTINUING SHARP RISE IN 1965

The textile industry earned more net profits in 1964 than in any year since 1950. Profits after taxes for all textile corporations in the United States amounted to \$507 million last year, a boost of 43 percent over the 1963 level. This was one of the largest increases recorded for any manufacturing industry in the country and compares with the average rise in profits for all manufacturing corporations (except newspapers) of 19 percent.

In addition to benefiting from a sharply rising textile market, the textile industry enjoyed a bonanza in Government subsidy payments under the one-price cotton law starting in April 1964. Moreover, tax reductions and liberalized investment credits augmented the industry's financial position. Consequently, profits before taxes did not increase as much as after-tax earnings. However, the industry's before-tax performance reflected a larger gain in 1964 than was recorded for all manufacturing industries. Textile profits before taxes rose from \$721 million in 1963 to \$947 million in 1964, a rise of 31 percent, compared to an average increase of 13 percent for all manufacturing corporations.

The figures in the attached table I summarize the financial experience of the textile industry over the past 14 years. In addition to providing aggregate data on the value of corporate sales, profits and dividends, they show profits per dollar of sales and per dollar investment (net worth). The industry's rate of return on investment (profits per dollar of net worth) increased from 12.8 cents before taxes in 1963 to 16.2 cents in 1964. After taxes, the industry's return on investment rose from 6.1 cents in 1963 to 8.7 cents in 1964. The industry's margin on sales (profits per dollar of sales) jumped from 4.8 cents before taxes in 1963 to 5.8 cents in 1964 and the after-tax sales margin increased from 2.3 cents to 3.1 cents.

As impressive as these gains are, they do not fully reflect the improvement which has taken place in the industry's fortunes because the upsurge in textile demand did not start until April 1964, when the one-price cotton law was enacted. The results for the second half of 1964 indicate the full impact of the current boom. The industry's profits after taxes registered a spectacular 57-percent rise over the corresponding period in 1963 and profits before taxes were up by 43 percent. The annual rate of return per dollar of investment rose to 18.8 cents before taxes in the second half of 1964, approximating the average rate of return in all manufacturing corporations (20 percent). After taxes, the textile return on investment reached 10.5 cents in the second half of 1964.

The major cotton-rayon textile corporations which issue public reports scored even greater gains in 1964 than are indicated in the above figures for the industry as a whole. The financial results of these companies are summarized in the attached table II. The companies with the largest percentage increases in profits after taxes in 1964 were: Cone (140 percent), Mt. Vernon (109 percent), Cannon (104 percent), Graniteville (73 percent), Lowenstein (64 percent), Dan River (49 percent), Bates (41 percent), Bibb (41 percent).

As indicated in the attached table III (profits per dollar of sales and net worth), the rates of return of many major cotton-rayon companies exceeded the high rates achieved in 1964 by the industry as a whole. The highest rates of return on investment before taxes were chalked up by the following companies, each of which was greater than the all-manufacturing average for 1964 (20.6 cents per dollar of investment): Fieldcrest (34.6 cents), Burlington (27.3 cents), Graniteville (25.8 percent), Indian Head (23.9 cents), Johnson & Johnson (22.3 cents), Cannon (21.7 cents).

The highest before-tax profit margins on sales (cents per dollar of sales) were reported by the following companies in 1964, each exceeding the all-manufacturing average of 8.9 cents: Cannon (12.6 cents), Standard-Coosa-Thatcher (12.3 cents), Thomaston (12.2 cents), Johnson & Johnson (11.5 cents), Graniteville (10 cents), Mt. Vernon (9.7 cents), Opelika (9.5 cents), Fieldcrest (9.1 cents).

Financial reports issued by the major cotton-rayon companies for periods in fiscal 1965 indicate that the upward trend in profits this year is generally even sharper than in 1964. The dramatic rate of the current rise is indicated by the following comparison of the percentage increases in profits after taxes reported so far this year with the 1964 gains:

	Date latest fiscal 1965 period ends	Percent increase over corre- sponding period in previ- ous year	
		Latest period in fiscal 1965	Fiscal 1964
Avondale.....	Dec. 31, 1964	100	41
Burlington.....	do	47	25
Cone.....	Mar. 31, 1965	101	140
Dan River.....	do	81	49
Fieldcrest.....	do	25	27
Graniteville.....	do	65	73
Indian Head.....	Feb. 27, 1965	54	20
Johnson & Johnson.....	Mar. 31, 1965	26	21
Lowenstein.....	Apr. 3, 1965	95	64
Mount Vernon.....	Mar. 31, 1965	39	109
Opelika.....	Dec. 31, 1964	16	18
Pepperell.....	Nov. 30, 1964	83	15
Reeves.....	Apr. 3, 1965	127	24
Riegel.....	Jan. 23, 1965	75	27
Stevens.....	Jan. 30, 1965	89	27
United Merchants.....	Mar. 31, 1965	50	31
West Point.....	Feb. 27, 1965	82	19

TABLE I.—Corporate profits and sales in the textile products industry, 1951-64¹

	Net profits (millions of dollars)				Profits per dollar of—			
	Net sales	Before taxes	After taxes	Cash dividends	Net sales (cents)		Net worth (cents) ²	
					Profits before taxes	Profits after taxes	Profits before taxes	Profits after taxes
1951.....	14,690	1,258	496	251	8.6	3.4	22.4	8.8
1952.....	14,107	646	264	203	4.6	1.9	10.3	4.2
1953.....	12,991	660	286	181	5.1	2.2	10.4	4.5
1954.....	11,700	345	114	152	2.9	1.0	5.5	1.8
1955.....	13,314	709	346	156	5.3	2.6	11.5	5.6
1956.....	13,191	694	342	162	5.3	2.6	11.4	5.6
1957.....	13,056	541	253	149	4.1	1.9	9.0	4.2
1958.....	11,970	403	189	124	3.4	1.6	7.4	3.5
1959.....	13,762	780	416	128	5.7	3.0	14.4	7.7
1960.....	13,254	677	329	140	5.1	2.5	12.0	5.9
1961.....	13,398	589	280	133	4.4	2.1	10.5	5.0
1962.....	14,449	724	354	141	5.0	2.4	12.8	6.3
1963.....	15,092	721	354	145	4.8	2.3	12.8	6.1
1964.....	16,249	947	507	157	5.8	3.1	16.2	8.7
Percent change, 1963-64.....	8	31	43	8				

¹ Data for years prior to 1956 are not strictly comparable to later data because of change in sample; data for 1958 and subsequent periods are based on 1957 standard industrial classifications.

² Based on net worth at beginning of year.

Source: Federal Trade Commission and Securities and Exchange Commission.

TABLE II.—Financial results of major cotton-rayon textile companies, 1963-64¹

[In thousands of dollars]

	Approximate date year ends	Net sales		Profits before taxes		Profits after taxes		Percentage change, 1963-64	
		1964	1963	1964	1963	1964	1963	Sales	Profits
American Thread Co.	Dec. 31	\$55,788	\$51,903	\$4,808	\$3,641	\$2,308	\$1,825	7	32
Bates Manufacturing Co.	do	38,059	39,902	21,750	21,292	21,006	21,716	-5	36
Belding Heminway	do	51,437	50,204	2,336	2,037	1,256	948	2	14
Berkshire Hathaway	Sept. 30	49,983	50,591	176	-685	3176	3-685	-1	32
Bibb Manufacturing Co.	Aug. 31	99,579	88,024	5,773	4,529	2,963	2,096	13	41
Burlington Industries	Sept. 30	1,206,394	1,084,919	105,758	90,539	50,874	40,620	11	25
Cannon Mills	Dec. 31	270,524	251,295	34,001	17,706	17,054	8,363	8	104
Collins & Aikman ⁴	Feb. 28	125,519	119,723	(⁵)	9,960	5,005	4,692	(⁵)	7
Cone Milles	Dec. 31	237,388	222,547	16,257	8,576	9,479	3,956	5	140
Dan River Mills	do	185,722	168,227	16,471	11,548	9,161	6,148	10	49
Duplan Corp.	Sept. 30	41,062	45,933	2,523	2,228	1,516	1,355	-11	12
Fieldcrest Mills	Dec. 31	134,647	115,458	12,296	10,928	6,671	5,232	17	27
Graniteville Co.	do	90,683	80,254	9,029	5,977	5,075	2,940	13	51
Indian Head Mills, Inc.	Nov. 30	158,398	153,389	6,144	4,055	3,029	2,525	3	20
Johnson & Johnson	Dec. 31	391,460	364,785	44,869	38,126	24,780	20,393	7	21
Kendall Co.	do	149,405	139,439	12,076	9,754	7,196	5,824	7	23
Lowenstein (M) & Sons	do	277,093	265,522	6,437	3,662	3,627	2,215	4	64
Mount Vernon Mills, Inc.	do	45,360	43,283	4,413	2,457	2,518	1,206	5	109
Opelika Manufacturing Co.	Sept. 30	27,060	24,518	2,561	2,308	1,283	1,091	10	18
Pepperell Manufacturing Co.	June 30	103,152	96,470	7,816	76,506	3,856	73,355	7	15
Reeves Bros.	do	100,132	81,844	3,229	3,333	1,663	1,336	22	24
Riegel Textile Corp.	Sept. 30	86,671	81,274	6,811	5,951	3,609	2,889	7	27
Springs Cotton Mills	Dec. 31	245,152	196,602	(⁵)	(⁵)	18,298	13,225	25	38
Stevens (J. P.) & Co.	Oct. 31	684,660	609,408	32,111	29,661	17,686	13,886	12	27
Textiles, Inc.	Sept. 30	45,124	31,792	3,589	2,772	1,798	1,315	42	37
Thomaston Cotton Mills	June 30	42,522	43,666	5,171	5,094	2,458	2,383	-3	3
United Merchants and Manufacturers	do	522,650	488,060	24,416	19,542	14,120	10,810	7	31
West Point Manufacturing Co.	Aug. 31	185,124	175,899	17,197	14,609	8,253	6,949	5	19
Avondale Mills	do	85,881	74,794	6,836	5,010	3,510	2,492	15	41
Standard-Coosa-Thatcher	Sept. 30	31,142	27,231	3,815	3,391	2,036	1,656	14	23

¹ Profit figures after taxes reflect full reduction of Federal income taxes due to the investment tax credit, excepting Cannon Mills & Reeves Bros. They have not reflected investment tax credits, taken in 1964 pertaining to prior years, in their profit after taxes, in the amount of \$1,167,000 and \$219,000, respectively.

² Adjusted to exclude nonoperating loss in 1964 (\$750,000) and nonoperating income in 1963 (\$135,000), including income tax effects.

³ Company has tax loss carry forward of approximately \$4,000,000.

⁴ Figures for this company are for fiscal years ended in 1965 and 1964, respectively.

⁵ Not reported.

⁶ Adjusted to exclude special credit of \$1,014,000 in 1964.

⁷ Adjusted to exclude special credit of \$468,000 in 1963

Source: Moody's Industrials and Company Annual Reports.

TABLE III.—*Profits per dollar of sales and net worth*¹ *major cotton-rayon textile companies, 1963-64*

[Cents]

	Profits per dollar of sales				Profits per dollar of net worth ²			
	Before taxes		After taxes		Before taxes		After taxes	
	1964	1963	1964	1963	1964	1963	1964	1963
American Thread Co.....	8.6	7.0	4.1	3.5	14.3	11.0	6.9	5.5
Bates Manufacturing Co.....	4.6	3.2	2.6	1.8	6.3	4.3	3.6	2.4
Belding Heminway.....	4.5	4.1	2.4	1.9	13.6	12.2	7.3	5.7
Bibb Manufacturing Co.....	5.8	5.1	3.0	2.4	10.7	8.1	5.5	3.8
Berkshire Hathaway.....	.4	(3)	.4	(3)	.6	(3)	.6	(3)
Burlington Industries.....	8.8	8.3	4.2	3.7	27.3	23.5	13.1	10.5
Cannon Mills.....	12.6	7.0	6.3	3.3	21.7	11.5	10.9	5.4
Collins & Aikman.....	(4)	8.3	4.0	3.9	(4)	32.9	14.9	15.5
Cone Mills.....	6.8	3.9	4.0	1.8	13.9	7.4	8.1	3.4
Dan River Mills.....	8.9	6.9	4.9	3.7	15.3	10.9	8.5	5.8
Duplan Corp.....	6.1	4.9	3.7	2.9	14.7	13.9	8.9	8.5
Fieldcrest Mills.....	9.1	9.5	5.0	4.5	34.6	32.8	18.8	15.7
Graniteville Co.....	10.0	7.4	5.6	3.7	25.8	18.0	14.5	8.8
Indian Head Mills.....	3.9	2.6	1.9	1.6	23.9	16.4	11.8	10.2
Johnson & Johnson.....	11.5	10.5	6.3	5.6	22.3	20.4	12.3	10.9
Kendall Co.....	8.1	7.0	4.8	4.2	18.4	15.6	11.0	9.3
Lowenstein (M) & Sons.....	2.3	1.4	1.3	.8	7.2	4.2	4.0	2.5
Mt. Vernon Mills.....	9.7	5.7	5.6	2.8	14.7	8.3	8.4	4.1
Opelika Manufacturing Co.....	9.5	9.4	4.7	4.4	19.9	18.7	9.9	8.8
Pepperell Manufacturing Co.....	7.6	6.7	3.7	3.5	14.1	12.2	7.0	6.3
Reeves Bros.....	3.2	4.1	1.7	1.6	10.0	10.7	5.2	4.3
Reigel Textile Corp.....	7.9	7.3	4.2	3.5	14.9	13.4	7.9	6.4
Springs Cotton Mills.....	(4)	(4)	7.5	6.7	(4)	(4)	(4)	(4)
Stevens (J. P.) & Co.....	4.7	4.3	2.6	2.3	12.7	12.1	7.0	5.6
Textiles, Inc.....	8.0	8.7	4.0	4.1	18.8	14.7	9.4	7.0
Thomaston Cotton Mills.....	12.2	11.7	5.8	5.5	14.8	15.1	7.1	7.1
United Merchants & Manufacturers.....	4.7	4.0	2.7	2.2	15.1	12.5	8.7	6.9
West Point Manufacturing.....	9.3	8.3	4.5	4.0	20.0	17.7	9.6	8.4
Avondale Mills.....	8.0	6.7	4.1	3.3	16.6	12.6	8.5	6.3
Standard-Coosa-Thatcher.....	12.3	12.5	6.5	6.1	20.2	18.6	10.8	9.1

¹ Net worth is the value of the stockholders' investment.
² Based on net worth at beginning of year.
³ Loss.
⁴ Not reported.

EXHIBIT V

FACT SHEET ON EFFECTS OF ONE-PRICE COTTON LAW

In 1963, when the cotton textile industry was lobbying for support of the Cooley One-Price Cotton bill (H.R. 6196), the American Textile Manufacturers Institute issued a series of releases on what the bill would mean. Below are pertinent claims from these releases together with the facts as to what the one-price cotton law has actually meant.

1. WHAT H.R. 6196 MEANS TO LABOR

The claim

A. On the basis of past experience with cotton price reduction, it is evident that competition will force the price level for cotton textiles to be lowered.

The facts

- 1. Raw cotton prices have been reduced by more than 8 cents per pound, or 23 percent.
- 2. The average price level for 20 standard constructions of cotton cloth was lowered by 1.58 cent per pound for cotton between March and June 1964, or 2.5 percent. However, since June the average cloth price level has been increasing; January 1965 average was 2.37 cents per pound higher than in June 1964, a rise of 3.9 percent. The increase in cloth prices between March 1964 and January 1965 came to 1.3 percent.

3. The difference between the reduction in cotton costs and the increase in the selling price of cloth has yielded the mills a net gain of 9.07 cents per pound of cotton or an increase in the average mill margin of 34 percent. (See attached table excerpted from "Cotton Situation," published by the U.S. Department of Agriculture.).

The claim

B. This (lowered price) should create some 35,000 additional jobs for cotton textile workers.

The facts

Employment of production workers in cotton broad woven fabric mills has increased by only 3,100 jobs.

March 1964.....	211, 200
December 1964.....	214, 300

II. WHAT H.R. 6196 MEANS TO COTTON TEXTILE INDUSTRY

The claim

A. It will make it possible for cotton textile mills to expand their operations and to operate more efficiently. This will result in increased employment, higher wages, and higher return on invested capital.

The facts

1. The "increase" in employment has actually been negligible. (See above.)
2. The "higher wages" have been a small fraction of what the industry can pay from the net savings under the one-price cotton law and the resulting improvement in business. The southern industry leaders announced a 5 percent wage increase in September 1964 but actual increases were smaller. Even if the full 5 percent increase had been granted, it would amount to only 7 percent of the mills' net savings of 9.07 cents per pound of cotton. The industry could have granted a 25 percent wage increase and still retained more than two-thirds of the net savings.
3. The "higher return on invested capital" is the one promise made by the industry which has been carried out. The average return on net worth for textile corporations jumped by 54.5 percent after taxes in the third quarter of 1964; before taxes, the average return rose by 43 percent.

[Percent]

	Profits before taxes	Profits after taxes
Annual rate of return on net worth:		
3d quarter, 1963.....	13.0	6.6
3d quarter, 1964.....	18.6	10.2
Increase in rate of return.....	43.0	54.5

III. WHAT H.R. 6196 MEANS TO THE GENERAL PUBLIC

The claim:

"Passage of the bill will mean lower consumer textile product prices * * * (estimated) annual savings of more than \$500 million."

The facts:

Consumer prices for cotton products have actually increased since enactment of the one-price cotton law:

	Cotton apparel (1957-59=100)	Textile house- furnishings
March 1964.....	104.9	102.0
June 1964.....	105.0	102.2

EXCERPT FROM COTTON SITUATION PUBLISHED BY U.S. DEPARTMENT OF AGRICULTURE, JANUARY 1965
TABLE 14.—*Fabric value, cotton price and mill margin, per pound, United States, by months, August 1960 to date*

Month	Fabric value (20 constructions) ¹					Cotton price ²					Mill margin ³				
	1960	1961	1962	1963	1964	1960	1961	1962	1963	1964	1960	1961	1962	1963	1964
August-----	Cents 62.86	Cents 58.78	Cents 61.12	Cents 60.60	Cents 61.00	Cents 32.52	Cents 34.84	Cents 35.89	Cents 35.33	Cents 27.64	Cents 30.34	Cents 23.94	Cents 25.23	Cents 25.27	Cents 33.36
September-----	61.90	59.78	60.93	60.99	61.02	32.25	35.16	35.23	35.19	26.82	29.65	24.62	25.70	25.80	34.20
October-----	60.64	60.32	60.71	61.34	61.25	32.05	35.35	35.08	35.11	26.80	28.59	24.97	25.63	26.23	34.45
November-----	59.98	60.45	60.68	62.00	61.48	31.99	35.46	35.10	35.27	26.98	27.99	24.99	25.58	26.73	34.50
December-----	58.61	60.54	60.67	62.29	⁴ 62.58	32.00	35.58	35.30	35.37	27.30	26.61	24.96	25.37	26.92	⁴ 35.28
January-----	58.06	60.63	60.55	62.34	63.24	32.01	35.78	34.45	35.47	27.30	26.05	24.85	25.10	26.87	35.94
February-----	57.78	60.76	60.47	62.40	-----	32.41	35.82	35.66	35.55	-----	25.37	24.94	24.81	26.85	-----
March-----	57.64	61.07	60.49	62.45	-----	33.32	35.93	35.95	35.58	-----	24.32	25.09	24.54	26.87	-----
April-----	57.46	61.23	60.26	62.00	-----	33.46	35.85	36.08	35.63	-----	24.00	25.38	24.18	26.37	-----
May-----	57.54	61.19	60.00	61.62	-----	33.86	36.13	36.16	35.67	-----	23.68	25.06	23.84	25.95	-----
June-----	57.60	61.24	60.11	60.87	-----	34.09	36.34	35.86	35.76	-----	23.51	24.90	24.25	25.11	-----
July-----	57.88	61.29	60.28	60.95	-----	34.45	36.19	35.57	35.60	-----	23.43	25.10	24.71	25.35	-----
Crop-year average ⁵ -----	59.00	60.61	60.52	61.65	-----	32.87	35.71	35.61	35.46	-----	26.13	24.90	24.91	26.19	-----

¹ The estimated value of cloth obtainable from a pound of cotton with adjustments for salable waste.
² Monthly average prices for 4 territory growths, even running lots, prompt shipments, delivered at group 201 (group B) mill points including landing costs and brokerage. Prices are for the average quality of cotton used in each kind of cloth. Beginning August

1964, prices are for cotton after equalization payments of 6.5 cents per pound have been made.
³ Difference between cloth prices and cotton prices.
⁴ Revised.
⁵ Starts Aug. 1 of the year indicated.

Cotton Division, AMS.

EXHIBIT VIII

ONE-PRICE COTTON AND TEXTILE WAGES

More than a year has passed since the Congress enacted one-price cotton legislation. It is time for serious reflection on how this program has operated.

Under the law the cost of cotton to domestic mills was reduced by 6½ cents a pound by means of Government payments to users starting April 11, 1964. An additional saving of 2½ cents a pound was effected as a result of a reduction in the price support level effective August 1, 1964.

According to textile industry spokesmen, the purpose of the one-price cotton program was to equalize the cost of cotton to domestic mills with the world price. With this reduction in costs, the industry assured the Congress that prices would be reduced proportionately; consumers would benefit from lower prices, workers would enjoy higher wages and the industry would prosper.

How have these bright expectations been fulfilled in the past year?

The average cost of cotton has been reduced by 8.32 cents a pound, or 23 percent.

The average price of cotton cloth has actually increased by 1.05 cents a pound, or 2 percent.

The average mill margin (the amount left for the mills to meet production costs and earn a profit) has increased by 9.37 cents a pound, or 35 percent.

These official figures of the U.S. Department of Agriculture for 20 constructions of cotton cloth show that the industry's promise to share the benefits of one-price cotton with consumers has not been kept. Instead, the mills have capitalized on the strong demand for cotton goods by raising prices and expanding their manufacturing margins.

How has the industry shared its swollen margins with its employees?

In August 1964, the TWUA Executive Council called upon the industry to "demonstrate, not only to its workers, but to Congress, that it merits continuation of a one-price cotton system by immediately sharing its good fortune through a substantial wage increase." We pointed out that "the average straight time hourly earnings of textile workers lag 74 cents an hour, or almost \$30 a week, behind the average for all manufacturing industries."

In September, the southern mills responded by announcing a 5-percent wage increase. The northern mills refused to grant any increase until the wage reopening date of their union contracts (April 15, 1965) and when that time arrived, they refused to give any more than a 5-percent increase. They rejected out of hand the union's proposal for the establishment of a pension plan and other improvements in economic benefits.

The cost of the 5-percent wage increase represented seven-tenths of a cent per pound of cotton processed by the average cotton weaving mill. Since the average mill margin has been increased by 9.37 cents a pound in the past year, the portion of this gain which the mills have passed on to their workers comes to only 7 percent. The mills have kept 93 percent of the benefits from one-price cotton for themselves.

Textile profits have skyrocketed as a result of the industry's refusal to share its growing prosperity equitably with its workers. In the last half of 1964, corporate profits after taxes jumped by 57 percent over the corresponding period in the preceding year. The industry's average rate of return on investment before taxes rose from 13 percent in 1963 to an annual rate of 19 percent in the last half of 1964. Even larger increases are being registered in returns for 1965.

While the textile industry is exploiting the one-price cotton program to pile up fantastic profits, the textile worker remains at the bottom of the Nation's industrial wage ladder. His straight time average hourly earnings are still 74 cents an hour below the average for manufacturing workers. Few textile companies provide pensions for their workers and the other fringe benefits in the industry are far below the standards prevailing in American industry.

The American taxpayers are paying more than \$850 million a year to finance the Government's cotton price-support program. If the textile industry hopes to continue to benefit from this program, it must demonstrate a willingness to meet its responsibility to its workers. The American people will not tolerate the diversion of more than 90 percent of the benefits from one-price cotton into the coffers of textile corporations while textile workers continue to receive sub-standard wages and economic benefits.

In view of these facts, the Executive Council of the Textile Workers Union of America, AFL-CIO, CLC, feels compelled to call to the attention of the American people the failure of the industry to share equitably the benefits of one-price cotton with its workers and the Nation's consumers.

The cotton division of the textile industry has had ample opportunity to demonstrate that it merits the continuation of this Government-financed subsidy under the one-price cotton system by raising its labor standards to the levels prevailing in American industry. It failed dismally to do so. Consequently, this failure gravely endangers the outlook for extension of the one-price cotton law beyond its 1966 expiration date.

WAYNESBORO, GA., May 25, 1965.

Re Cooley bill for cotton.

Congressman ELLIOTT HAGAN,
House of Representatives,
Washington, D.C.:

We are particularly opposed to the provision that will allow domestic allotment payments to be made on domestic allotments of 15 acres or less regardless of whether or not the allotment acreage is planted.

(1) This will discourage the releasing of the small allotments to other farmers who want to farm.

(2) It is a soil bank by another name and will adversely affect the economy of the smaller communities that are dependent on agriculture; and

(3) We are basically opposed to giving people something for doing nothing.

Please make this a part of the record of the hearing on this bill.

Your cooperation will be appreciated.

JOHN W. WALKER,
President, Georgia Cotton Warehouse and
Compress Association.

GARLAND, TEX., May 28, 1965.

HON. HAROLD D. COOLEY,
Chairman, House Committee on Agriculture,
House Office Building,
Washington, D.C.:

Opposed to Cooley bill especially to direct payment to producer and to reduction in acreage from 16 to 14 million. Acreage reduction will place all burden on producers with allotments over 15 acres which seems unfair. Please place statement in record of hearing.

LAWRENCE PETERSON.

DACOSTA GINNERY,
Victoria, Tex., May 27, 1965.

HON. HAROLD D. COOLEY,
Chairman, House Committee on Agriculture,
House Office Building,
Washington, D.C.

DEAR SIR: I would like to state that I am in opposition to H.R. 8149. I would like to have this statement placed in the record of the hearing.

I feel we must maintain a 16-million-acre minimum allotment. I am against direct payments to the farmer; this makes his business too uncertain and at the mercy of the Government. I would like to maintain release and reapportionment program. I feel we need more research aimed at new uses for cotton, and the lowering of the cost of production and an education program. We must export more cotton, at least 7 million bales. I would be for short-term cropland retirement with incentive payments. I do not favor a soil bank long-term contract. Our State Department will have to let us put our cotton in foreign markets. The Secretary of Agriculture should not be stopped from selling abroad. The American farmer cannot stand another acreage cut. It has been proven when we cut acreage the rest of the world increases production. World figures prove this. We cannot raise the flag and tell the world we will cut acreage.

The people in foreign countries know more about our American production and Government policies than do our own American farmer. We never know where we stand. The foreigner knows we will do nothing to hurt anyone's feelings. It seems that we would rather kill American agriculture than to hurt someone's feeling in a foreign country.

Respectfully submitted.

HERMAN J. PARGAC.

ROCK HILL, S.C., *June 26, 1965.*

DEAR MR. COOLEY: I am writing to oppose the new proposed cotton legislation. How can anyone justify spending 1 percent of the budget for a single crop? I pay \$1,000 tax and think that it would be better for me to give \$5 to the nearest farmer and \$5 to the nearest cotton mill rather than have the Feds disburse this money. If you get to the fair, drop by the Sudan exhibit and see how cotton should be grown. Cotton mills don't need a subsidy anymore than I do. Let's abolish it now. Please enter these comments in the current cotton hearings.

Sincerely yours,

ROBERT C. CUTLER.

(Whereupon, at 4 p.m., the committee adjourned.)

C

U.S.D.A.
SEA/TIS
LAW LIBRARY
ROOM 1406 SOUTH
WASHINGTON D.C. 20250

468-C
274